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SPECIAL CONFERENCE

**RECOVERY AND EXPANSION?  
REGIONAL ECONOMIC OUTLOOK:  
1995 - 1996**

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Special Conference of the Association of Bay Area Governments:

# ***Recovery and Expansion? Regional Economic Outlook: 1995 and 1996***

**January 26, 1995**

8:30 a.m.	<b>Registration</b>	
9:00 a.m.	<b>Welcome and Overview</b>	Eugene Y. Leong Associate Director, ABAG
9:10 - 9:50 a.m.	<b>California's Outlook: Is the Sun Returning?</b> Jobs are UP! Retail activity and housing are stirring Slowing Recovery: Aerospace Layoffs, Base Closings, Commercial Real Estate, and Rising Interest Rates Will California's Recovery be for Real?	Ted Gibson Chief Economist State Dept. of Finance
9:50 -10:35 a.m.	<b>Regaining Momentum on a Bumpy Road</b> Which Weaknesses are Holding Us Back? Assessing the Short-term Impact of Base Closures Can the Boom of the 1980's be Repeated?	Raymond J. Brady Research Director, ABAG
10:50-11:30 a.m.	<b>Taxable Sales and Personal Income: A Look at Some Short-term Forecasts</b> Personal Income: The Uphill Challenge Continues Taxable Sales: A Restructuring of the Playing Field County Precasts: Local Strengths and Weaknesses	Eric K. Caindec Senior Analyst, ABAG
11:30-11:50 a.m.	<b>Successful Competition in the 21st Century</b> Strategies for a Magnetic Regional Economy Eliminating Impediments to Regional Competitiveness	Sunne Wright McPeak President and CEO Bay Area Economic Forum
11:50 -12:00 noon	<b>Questions and Answers</b>	

## Registrants

### Recovery and Expansion? Regional Economic Outlook: 1995 & 1996

January 26, 1995

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Ifeoma Adams Dist. Business & Advisory Services Alameda Co. Office of Education	Melodie Baird Controller's Office Allstate Insurance	Perry Carter Finance & Internal Services City of Hayward
Kent Adams Planning & Building City of San Jose	Ray Baslee Napa Valley Economic Dev. Corp.	Charlie Caulfield Economic Development City of Fremont
Victor Alterescu Strategic Planning John Muir Medical Center	Ann R. Bauman Community & Economic Development City of Hayward	Edward Champlin Labor Market Information Division Employment Development Dept.
Mary Stuart Alvord Center for Educational Planning Santa Clara County	Aviva Bernstein Center for Continuing Study of CA Econ	William Carey Chenoweth HMS Inc.
Barbara Anderson Marketing Department San Francisco Newspaper Agency	Marty Birkenthal Planning Department BART	Richard Cortes Special Projects/Planning Department Union Sanitary District
Cathy Anderson Bernard Marketing Associates	Brian A Bock Asset/Liability Management Westamerica Bancorporation	Elaine Costello Community Development City of Mountain View
Helen Ansted Finance & Administrative Services City of Mountain View	Terry Boucher Business Office San Mateo County Library	Kevin Courtney News Napa Valley Register
Eila Arbuckle Economic Development Department San Francisco Redevelopment Agency	Kerry Burns Finance Department City of Fremont	Dan Cox Controller's Office Allstate Insurance Company
James M Baird Sales Department Allstate Insurance	Leslie Carmichael Community Development Dept. City of Foster City	Geri Cross Economic Development Department City of Sunnyvale
		Carol Curran Economic Development Department City of Los Altos

Joyce Cutler Daily Report for Executives Bureau of National Affairs	David Goodison Planning Department City of Sonoma	Patty Kong Finance & Administrative Services City of Mountain View
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Gloria Del Rosario Finance Department City of Fremont	Richard P. Grimes Loan Guaranty Division Construction & Valuation Department of Veterans Affairs	Suzanne Lampert Mundie & Associates
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Mara DerVovanesian The Reporter	Bob Harris Robert Harris and Associates	David Levy Center for Conti. Study of CA Economy
Cynthia Eastman Keyser Marston Associates	Jack V. Hoffman Hoffman Financial Associates Inc	Mark Linder Town Manager's Office Town of Los Gatos
John M. Eells Glen Elder Glen Elder	Al Huezo City of Newark	William A. Lindsay Administrative Services City of San Ramon
Bill Emlen Planning Department City of American Canyon	Barbara Johnson Planning Department National Econ. Dev. & Law Cntr.	Christine Ma Finance Department City of Millbrae
Martin Engelmann Contra Costa Trans. Authority	Mark Joseph Finance Department City of American Canyon	Susan McCue City of San Leandro
Ed Espinoza Planning & Programming Santa Clara Co. Trans. Authority	Barbara Judd Water Supply Department Santa Clara Valley Water District	John Medford Weyerhauser Realty Investors
Kenneth Fennell Post Office Operations United States Postal Service	Philip Kamlarz City Manager's Office City of Berkeley	Joan Meixner Finance Department HCV Pacific Partners
Mike Ford Marketing Department Swinerton & Walberg	Bruce Kern County Administrator's Office County of Alameda	Lynnie Melena Community Development City of Mountain View
Dianne Gershuny City of Los Altos	Linda Kimball Office of Economic Development City of San Jose	Walt Meyers Medical Economics and Statistics Kaiser Foundation Health Plan
Craig Goldblatt Metropolitan Trans. Comm.		

Arthur C Miner Private Industry Council Contra Costa County	Jim Reese Development Services - Planning City of Newark	Michael R Simpson Research Department Hanford/Healy Companies
Fred Morse Apartment House Association	Lonnie Reid Reid Real Estate Cynthia Richardson Marketing Department Brian Kangas Foulk	Janet P Singler Management Planning & Info. State Farm Insurance
Jose Luis Moscovich Transportation Authority San Francisco County	Edward G Roach ER Development Inc	Judith Somers Finance Department City of Redwood City
Patrick Nevis Executive Office Air Resources Board	Stephen E Ross Pacific Northwest Region Grubb & Ellis	Jim Sterling Imperial Bank
Jim Noe McBail Company	Vince Salinas City of Newark	David A Stevens North Coast County Water District
Reginald Nugent Finance Section Metropolitan Trans Comm.	Judith Scherr Monclarion Newspaper	Bernard Strojny City Manager's Office City of Palo Alto
Sharon Oldham Curriculum & Instruction Alameda Co. Office of Education	Cynthia Schneider Medical Economics and Statistics Kaiser Foundation Health Plan	Lin Su Medical Economics and Statistics Kaiser Foundation Health Plan
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Craig Parada Planning & Building City of San Jose	Kenneth R Schreiber Planning and Community Dev. City of Palo Alto	Bill Theile Planning Department BART
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Dennis A Reed Credit Administration Silicon Valley Bank	Guy Shuman Research Department The RREEF Funds	Tom Trowbridge Trowbridge Kieselhorst & Company

Vicki Vickers  
Marketing Department  
Brian Kangas Foulk

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San Jose Real Estate Board

Ru Weerakoon  
Industrial Development Program  
San Jose Redevelopment Agency

Julian Weidler  
Napa Valley Econ. Development Corp.

Hermann Welm  
City Council  
City of San Ramon

Monica Wilson  
Sedway Kotin Mouchly Group

Rick Wood  
Public Works Department  
City of Fairfield

David Zehnder  
Economic & Planning Systems

## ABAG Speaker Biographies

**Eugene Y. Leong**, Associate Executive Director for the Association of Bay Area Governments, has oversight responsibilities for all of the agency's programs. These include environmental and energy studies, as well as planning and technical analyses in housing, economic development, demographic projects and land use. Before assuming his current responsibilities, he spent over ten years as a project manager for ABAG and several private environmental planning and engineering consulting firms conducting a wide variety of environmental studies. Dr. Leong has authored many reports and technical articles. He has often lectured in environmental management and has made numerous presentations at conferences. Dr. Leong is a graduate of the University of Michigan and the UCLA, where he received his doctorate in Environmental Science and Engineering in 1974.

**Raymond J. Brady**, Research Director, Analytical and Information Services, is responsible for analytical support services and systems modeling for the Association of Bay Area Governments. His responsibility consists of the maintenance and expansion of information services, economic, demographic, and land use models, and the design of new systems required in the support of other programs in the agency.

Before coming to ABAG, he worked in research groups at the University of Minnesota and the University of New Mexico and for a private environmental engineering consulting firm. Dr. Brady has authored several publications. Dr. Brady has taught quantitative methods at the University of California, Berkeley. He has an economics degree from Louisiana State University, and a planning degree from the University of Arizona. He received his doctorate in Management Systems Engineering from Tulane University.

**Eric K. Caindec**, Senior Analyst with the Association of Bay Area Governments. In addition to retail sales analysis, Mr. Caindec generates forecasts of future employment, housing and population levels throughout the nine counties of the San Francisco Bay Region. His interests lie in operations research, statistical modeling and economic forecasting. Before joining ABAG, he worked as a Cost Analyst for Tecolote Research in Santa Barbara developing forecasting models, collecting and analyzing historical data, and conducting trade-off and sensitivity analyses.

Mr. Caindec is a Certified Cost Analyst as designated through the Society of Cost Estimating and Analysis. He has a B.A. in Economics Mathematics from the University of California, Santa Barbara, and a M.S. in Systems Management from the University of Southern California.

## Guest Speaker Biographies

**Ted Gibson**, Chief Economist for the California Department of Finance, analyzes and forecasts the U.S. and California economies as part of the State's budget process. In addition, Mr. Gibson advises the Director of Finance and the Governor on economic issues relating to the budget and writes the annual *Economic Report of the Governor* as well as other Department publications and studies.

Previously, Mr. Gibson followed the California economy as Vice President and Senior Economist at Crocker National Bank from 1979 to 1984, and as a Vice President and Manager of Security Pacific's Northern California Research Division from 1969 to 1975. In the late 1970's, he was the senior macro-economist at Mellon Bank, Pittsburgh.

Prior to joining the Department of Finance in 1987, Mr. Gibson headed Crocker Bank's Asset/Liability Management Unit and, in 1985, was seconded to Crocker's parent, Midland Bank plc in London, as part of the team directing Crocker's restructuring and sale to Wells Fargo bank. Following Crocker's sale, he remained at Midland as a Senior Manager in Group finance, where he conducted initial investigations which eventually led to the merger that formed Hong Kong Shanghai Bank (Holdings) plc.

A native of Los Angeles, Mr. Gibson received Bachelor's and Master's degree in finance and Economics from Arizona State University, Tempe. Ted and his wife Sandra are residents of Sacramento.

**Sunne Wright McPeak**, President and CEO of the Bay Area Economic Forum, served as an elected member of the Board of Supervisors for Contra Costa County for more than 15 years and was the Director of First Nationwide Bank for eleven years. Her public service history includes such positions as the Founder and Past Chair for California Council on Partnerships, which fostered cooperation between public and private sectors to solve problems for shared benefits. In addition, she served as the President of the California State Association of Counties.

For her outstanding community service, Ms. McPeak has received a number of awards and honors. She received the first annual Sunne Wright McPeak Humanitarian Award for her help with the homeless. She was named "Outstanding Legislator" by the San Francisco Bay Area Tobacco Control Coalition. In 1993, she received the Ben Russell Humanitarian Award from Phoenix Programs, the Outstanding Legislator award from the Chinese American Political Association of Contra Costa, the Distinguished Citizen Award from the Soroptimist International of Concord, and was named Legislator of the Year from the Business and Professional Women Bay Valley District.

Ms. McPeak earned her B.A. in International Medicine from the University of California and her Master of Public Health degree in Health Education and Medical Care Administration from the University of California, Berkeley.

# Association of Bay Area Governments

## ABOUT ABAG

The Association of Bay Area Governments (ABAG) is one of nearly 540 councils of government across the nation working to help solve problems in areas such as land use, housing, transportation, environmental quality, and economic development.

ABAG is owned and operated by the cities and counties of the San Francisco Bay Area. It was established in 1961 to protect local control, plan for the future, and promote cooperation on areawide issues. In recent years, ABAG has answered the needs of its members by providing low-cost services that save taxpayers millions of dollars.

The General Assembly is the overall governing body of the organization. Each member city and county designates a representative. ABAG's operations are directed by an Executive Board composed of 37 elected officials from member cities and counties. Much of ABAG's work is carried on by committees appointed by the Executive Board, including joint committees with the Metropolitan Transportation Commission and the Bay Area Air Quality Management District. Advisory committees and task forces are appointed from time to time to oversee special programs in areas such as air quality, water quality, energy, and economic development. All meetings are open to the public.

## REGIONAL PLANNING

In ABAG's region there are 100 cities and the nine counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma. Over 6 million people live in this 7,000-square-mile area.

Where will these people live, where will they work? Will transportation be adequate? How can we improve air and water quality? Will water supplies be sufficient? Are we prepared for a major natural disaster? These are the kinds of questions that cannot be addressed easily without cooperative action among many agencies, organizations, and the general public.

Through its role as an association of cities and counties, ABAG has been designated by the state and federal governments as the official comprehensive planning agency for the Bay Area. Its locally adopted Regional Plan provides a policy guide for managing the region's growth and for planning the region's housing, economic development, environmental quality, transportation, recreation, health and safety.

One of ABAG's vital functions is to provide a forum to resolve local differences through workable compromises. Its active public information program encourages citizen involvement in planning and policy decisions. The Association also sponsors workshops and conferences where local officials, business and industry leaders, special interest groups, and private citizens can discuss programs, regulations, and legislation affecting their communities.

## ABAG SERVICES

As city and county budgets are tightened in the slipknot of rising costs and diminishing income, ABAG stretches its services to ease the effect. ABAG offers cost-saving services to its members including demographic information and data analysis, capital financing, liability and property insurance, workers' compensation administration, and specialized training programs — the largest of which, HAZMACON, a hazardous materials conference, attracts 7,000 participants.

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## ABAG OFFICERS AND KEY OFFICIALS

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Contra Costa County

Vice President  
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City of San Jose

Immediate Past President  
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City of Gilroy

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MARY KING  
Alameda County

Regional Planning Committee  
Chair  
PAUL BATTISTI  
Napa County

Executive Director and  
Secretary-Treasurer  
REVAN TRANTER

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**ABAG Special Conference:**

***Recovery and Expansion?  
Regional Economic Outlook:  
1995 and 1996***

**January 26, 1995**

*Association of Bay Area Governments  
P.O. Box 2050  
Oakland, California 94604-2050  
(510) 464-7900*

## **Forecasting Short-term Economic Growth**

This is the seventh in a series of short-term economic forecasts prepared by the Analysis Group at the Association of Bay Area Governments. Our discussion today focuses on the recession, prospects for recovery, whether the recovery is sustainable, and how well the Bay Area is fairing. We also examine underlying constraints that could affect our forecast and other's forecasts for the Bay Area.

We shouldn't underestimate the importance or impact of economics on our everyday lives. If we as citizens, policy makers and entrepreneurs are to be successful in creating not only more wealth for ourselves but also for all citizens of society, understanding economics and its impact is of critical importance.

Increasingly, the public sector at the regional and subregional level is concerned about the future of the economy. Administrators of local governments recognize the importance of a healthy economy to their local communities. This importance comes in the form of jobs for their local citizens, as well as revenues needed to pay for services demanded by these same individuals. Therefore, a primary client of our short-term economic forecasts are the local governments that comprise the Association of Bay Area Governments. In addition, however, the private sector is increasingly using economic and demographic information developed by ABAG. We have a responsibility to provide our interpretation of the potential economic and demographic constraints that could affect decisions in the offices of corporate boardrooms and small businesses.

All forecasts should be accepted with the understanding that they represent expert opinion. Experts, however, are known to become occasionally jaundiced when viewing the future. Even though economic theory is highly developed, understanding the timing of economic events or impacts of public policy and the interrelationship and feedback that occurs in economic systems still has not developed into an exact science. Therefore, the science of economics should be balanced against the reality that art still plays an important role in economic analysis.

# *Slow Bay Area Recovery*

*A Review of 1994*

# *The Bay Area in Review*

## 1994

- ◆ Population-- 6,492,200
- ◆ Households--2,338,700
- ◆ Non -Ag. Wage and Salary Jobs--2,860,200
- ◆ County Adding Most Jobs-- Santa Clara
- ◆ County Losing Most Jobs--San Francisco
- ◆ Inflation Rate 1.6 %
- ◆ Median Household Income (1994\$)--\$48,900
- ◆ Mean Household Income (1994\$)--\$62,900
- Population Growth--93,000
- Household Growth--18,400
- Job Growth--12,800
- Total Number of Non-Ag. Wage and Salary Jobs Below 1990 Average--58,000
- Defense-Related Job Losses-- 9,200
- Greatest Job Additions-- Business Services (8,100)
- Median Household Income Growth (1994\$)-- 0.0%
- Mean Household Income Growth (1994\$) --0.7%

## *Bay Area Unemployment Rates by Metropolitan Statistical Area*

	<i>November 1993</i>	<i>November 1994</i>
✓ Oakland PMSA	6.1 percent	5.4 percent
✓ San Francisco PMSA	5.3 percent	4.7 percent
✓ San Jose PMSA	6.1 percent	5.3 percent
✓ Santa Rosa PMSA	6.0 percent	5.4 percent
✓ Vallejo-Fairfield-Napa PMSA	7.4 percent	7.1 percent

## *Wage and Salary Job Growth in 1994*

	<b>Jobs</b>	<b>Growth</b>
✓ Alameda	585,900	2,400
✓ Contra Costa	284,900	1,000
✓ Marin	95,200	1,700
✓ Napa	44,900	800
✓ San Francisco	517,600	-3,500
✓ San Mateo	290,100	-1,900
✓ Santa Clara	799,500	10,100
✓ Solano	95,300	-1,400
✓ Sonoma	146,900	3,600

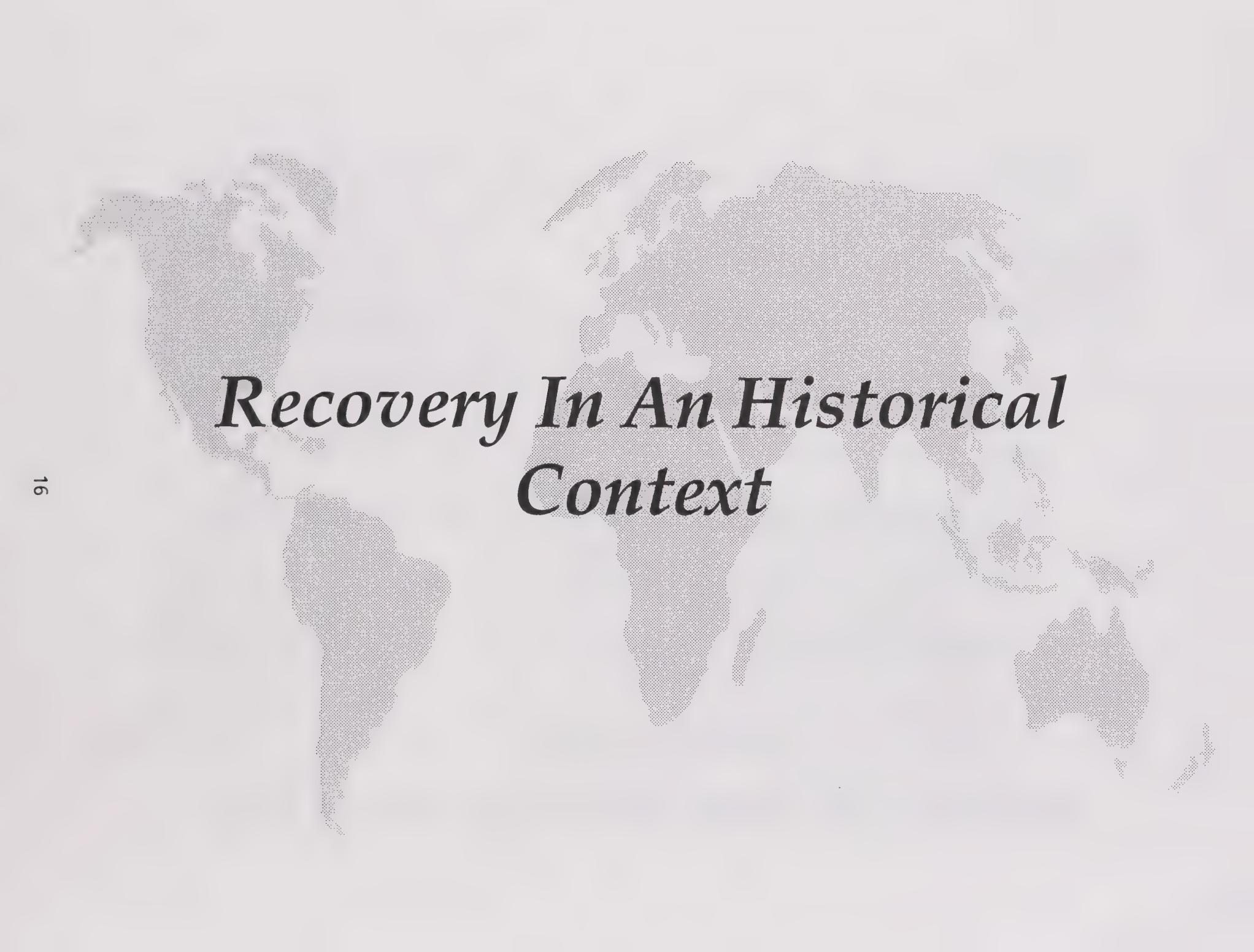
## *Bay Area Personal Income Growth in Millions*

✓ Current \$

1990--\$150,229.7  
1991--\$154,471.8  
1992--\$163,416.9  
1993--\$167,558.3  
1994--\$174,333.9

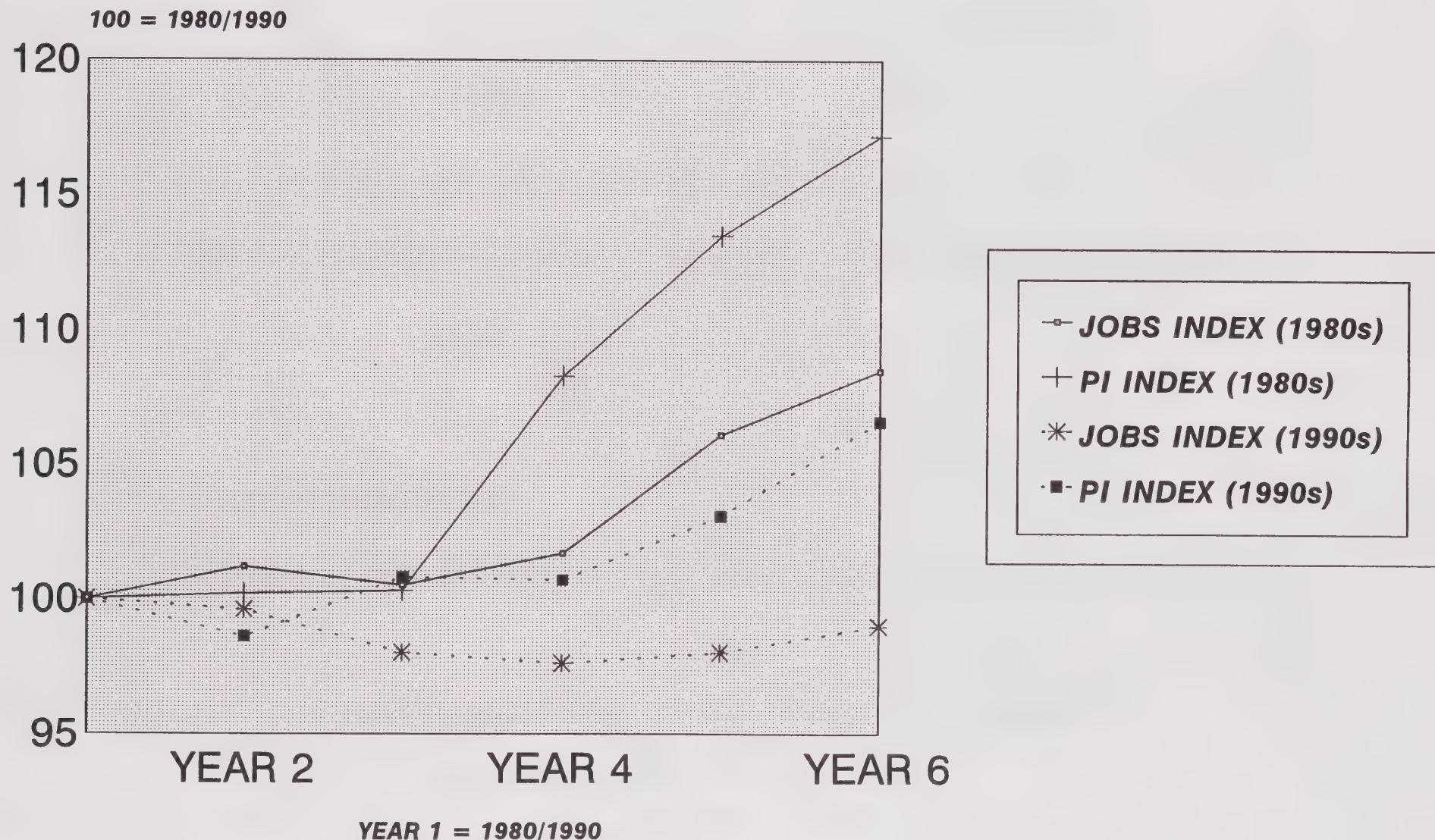
✓ Constant 1994\$

1990--\$169,107.9  
1991--\$166,779.0  
1992--\$170,526.0  
1993--\$170,308.0  
1994--\$174,339.9



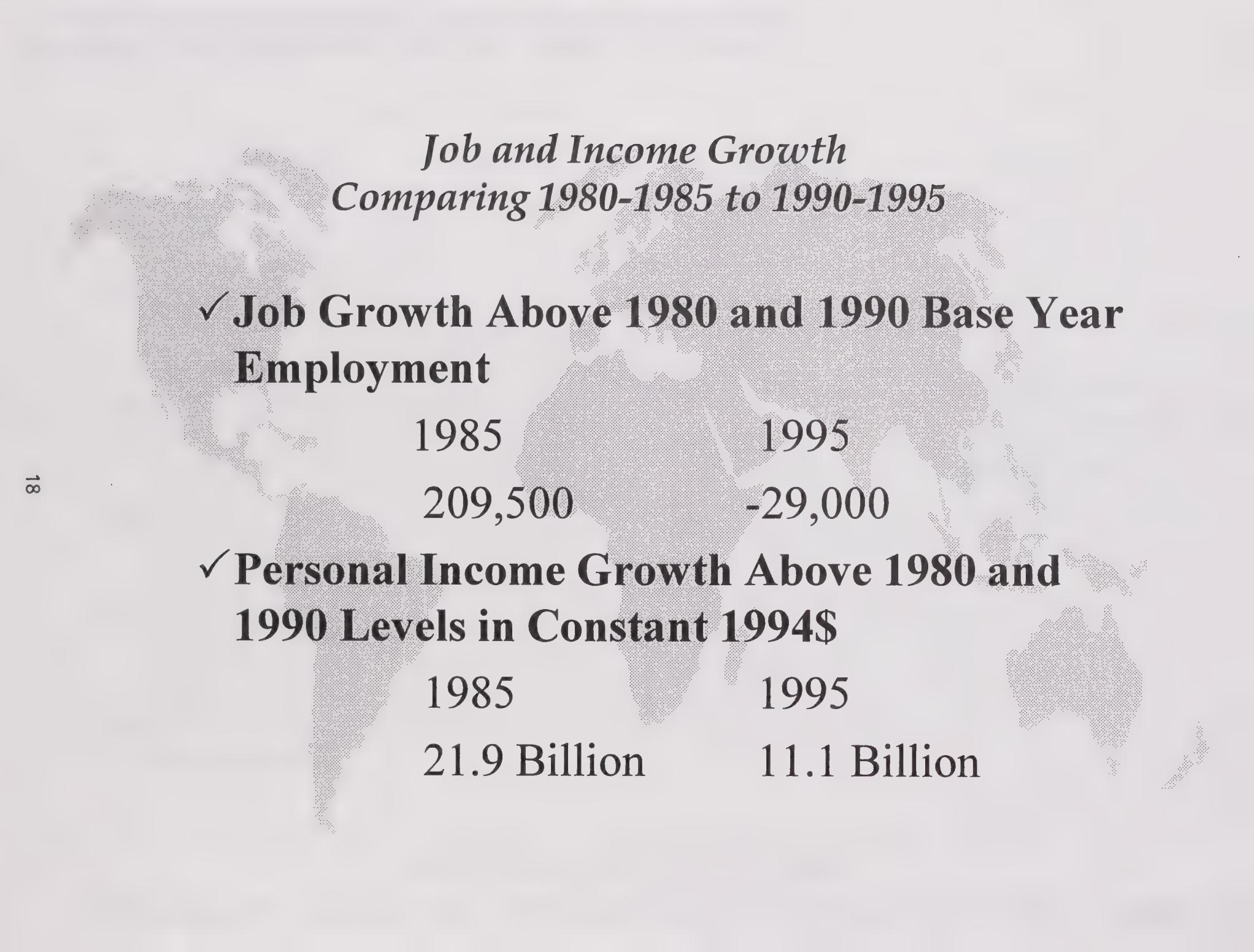
# *Recovery In An Historical Context*

# BAY AREA INDEX OF CURRENT RECOVERY TO 1981-1982 RECESSION RECOVERY



JOB DATA = EDD AND ABAG FORECAST ANNUAL AVERAGES

PI = BEA AND ABAG FORECAST DATA IN CONSTANT DOLLARS



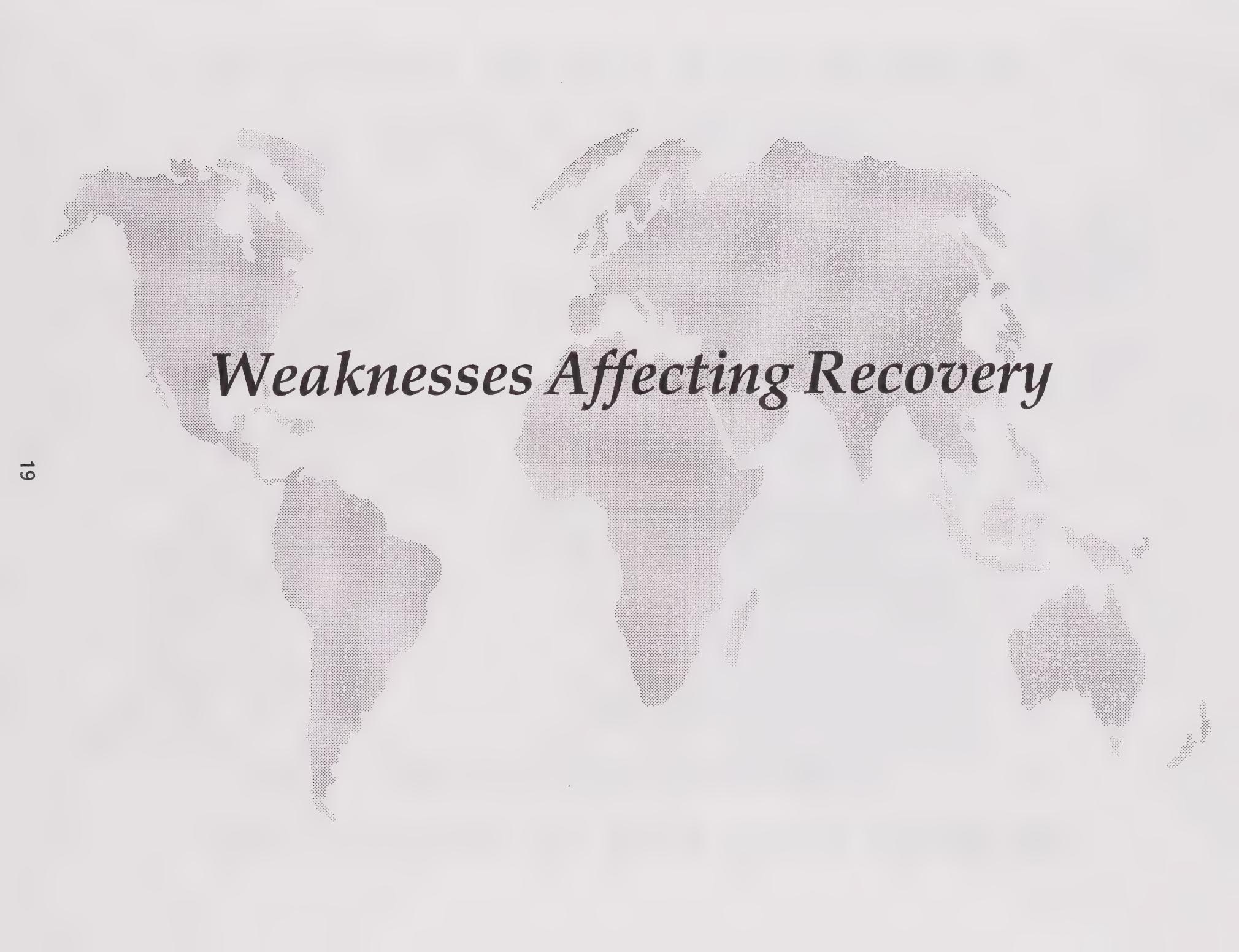
## *Job and Income Growth* *Comparing 1980-1985 to 1990-1995*

✓ **Job Growth Above 1980 and 1990 Base Year Employment**

	1985	1995
	209,500	-29,000

✓ **Personal Income Growth Above 1980 and 1990 Levels in Constant 1994\$**

	1985	1995
	21.9 Billion	11.1 Billion



# *Weaknesses Affecting Recovery*

# *Stagnation In Bay Area Median Household Income*

1994\$

- ✓ 1990
- ✓ 1991
- ✓ 1993
- ✓ 1994

\$50,304

\$48,800

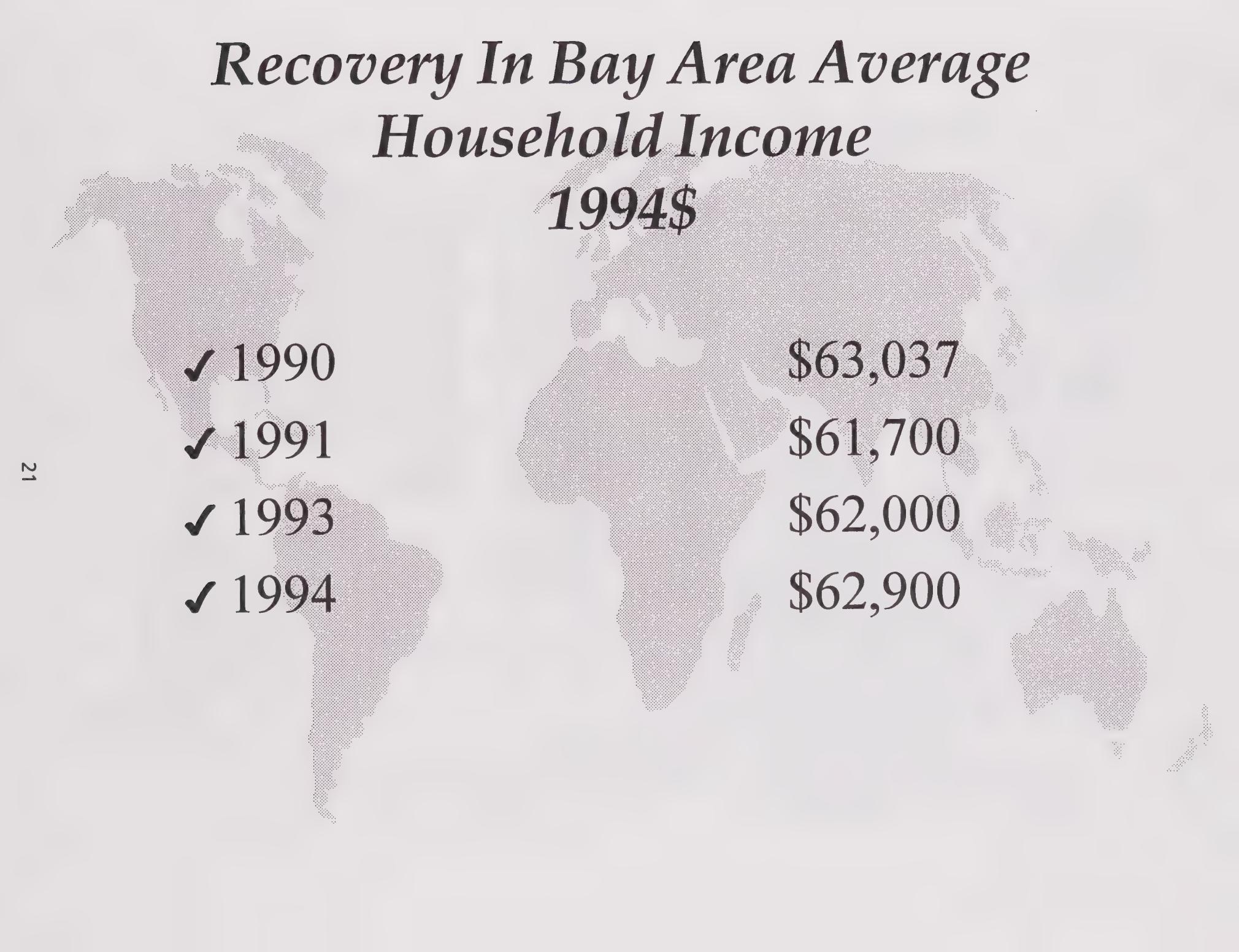
\$48,700

\$48,900

# *Recovery In Bay Area Average Household Income*

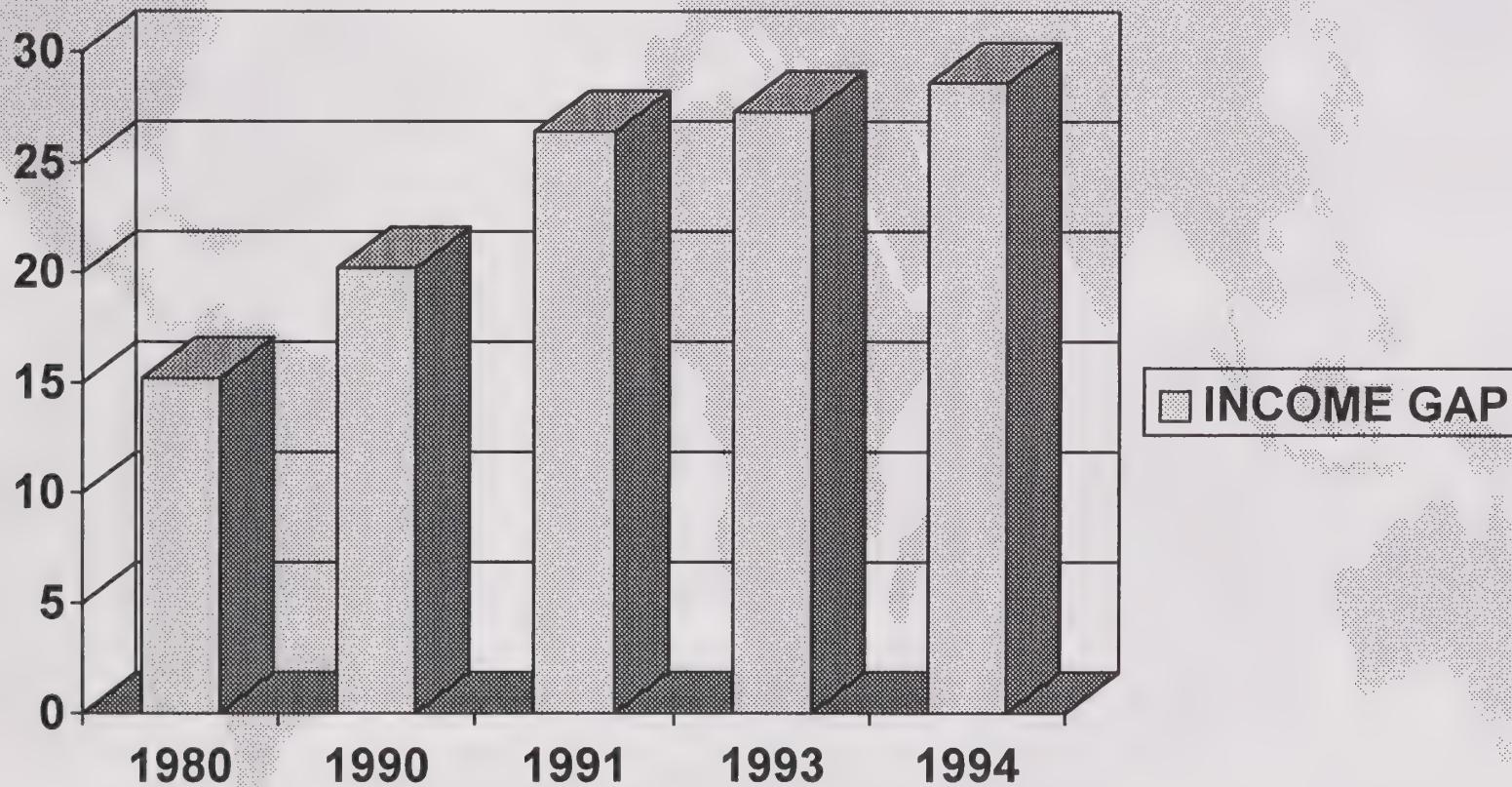
## 1994\$

- ✓ 1990
- ✓ 1991
- ✓ 1993
- ✓ 1994



\$63,037  
\$61,700  
\$62,000  
\$62,900

## *Growing Gap Between Mean and Median Income Bay Area*



## *Stagnation in County Median Household Income* 1994\$

	1990	1994	%Change
✓ Alameda	\$45,001	\$43,800	-2.7%
✓ Contra Costa	\$54,792	\$52,900	-3.5%
✓ Marin	\$59,174	\$56,600	-4.3%
✓ Napa	\$44,326	\$43,500	-1.9%
✓ San Francisco	\$40,671	\$40,100	-1.4%
✓ San Mateo	\$55,914	\$54,400	-2.7%
✓ Santa Clara	\$58,407	\$56,900	-2.6%
✓ Solano	\$47,323	\$45,400	-4.3%
✓ Sonoma	\$44,224	\$42,600	-3.7%
✓ Bay Area	\$50,304	\$48,900	-2.8%

## *Recovery in County Average Household Income 1994\$*

	1990	1994	%Change
✓ Alameda	\$55,149	\$54,900	-0.5%
✓ Contra Costa	\$66,901	\$66,100	-1.2%
✓ Marin	\$82,645	\$82,400	-0.3%
✓ Napa	\$56,181	\$56,900	1.3%
✓ San Francisco	\$55,562	\$56,100	0.9%
✓ San Mateo	\$71,685	\$72,300	0.9%
✓ Santa Clara	\$70,285	\$70,500	0.3%
✓ Solano	\$52,757	\$51,100	-3.1%
✓ Sonoma	\$53,998	\$53,100	-1.7%
✓ Bay Area	\$63,037	\$62,900	-0.2%

## *Base Closings and Continued Cutbacks in Military Purchases*

- ✓ Bay Area loss due to Base Closings--\$1 billion in military and civilian reductions--\$100-300 million in contract services
- ✓ Contract losses due to reduction in military purchases--\$1-1.5 billion
- ✓ Losses spread from 1990-1997. Peak year for losses 1995
- ✓ Bay Area 1994 total personal income--\$174.3 billion
- ✓ Impact--minor regionwide, major locally

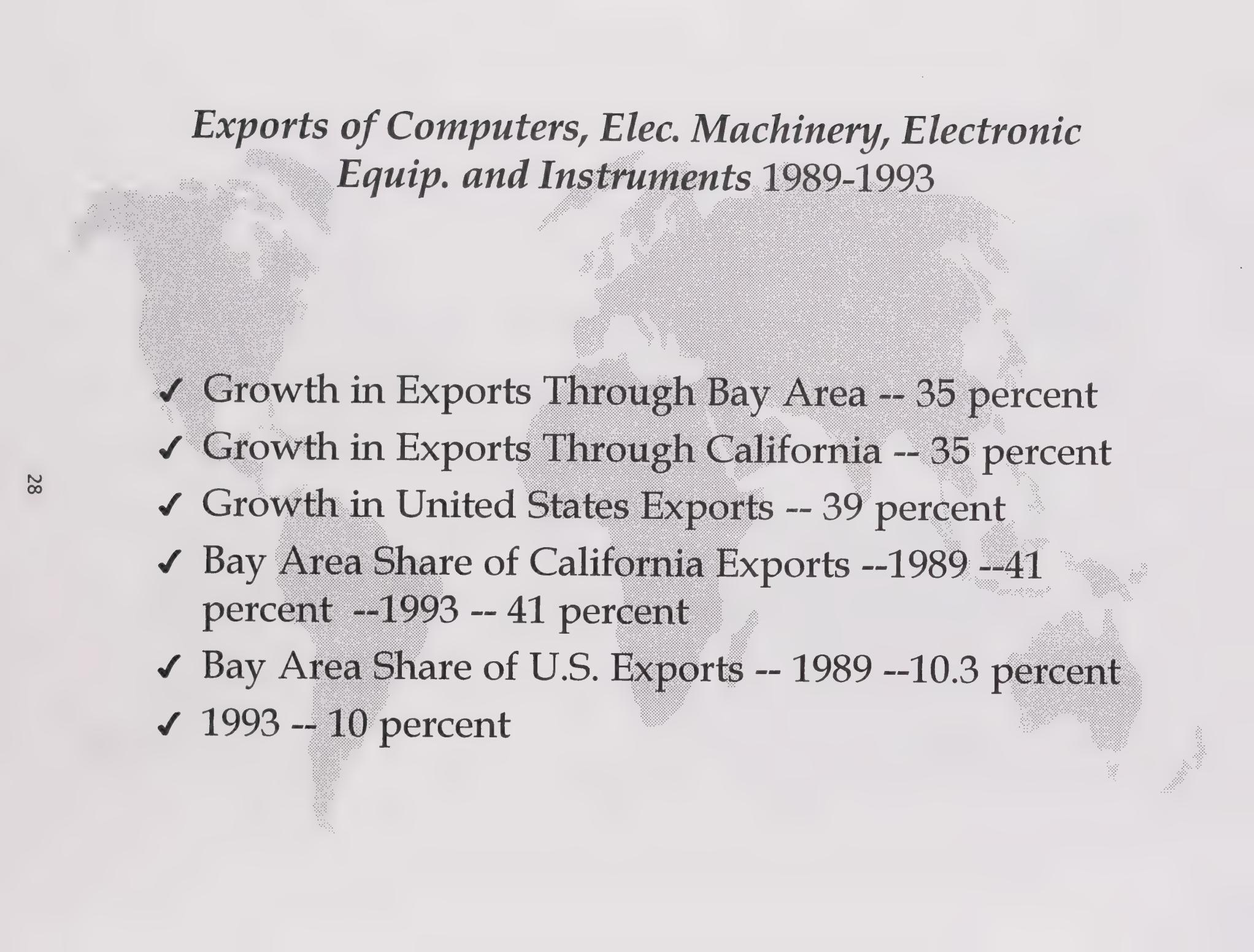
## *National Economic Picture*

- ✓ Weakening by Third or Fourth Quarter 1995
- ✓ Moderate Inflation
- ✓ Higher Interest Rates
- ✓ California Recovery Peaking late 1995 or early 1996



# Bay Area Economic Strengths

*Exports*



## *Exports of Computers, Elec. Machinery, Electronic Equip. and Instruments 1989-1993*

- ✓ Growth in Exports Through Bay Area -- 35 percent
- ✓ Growth in Exports Through California -- 35 percent
- ✓ Growth in United States Exports -- 39 percent
- ✓ Bay Area Share of California Exports --1989 --41 percent --1993 -- 41 percent
- ✓ Bay Area Share of U.S. Exports -- 1989 --10.3 percent
- ✓ 1993 -- 10 percent

## *Exports of Computer and Elec. Machinery, Electronic Equip. and Instruments 1993*

- ◆ Top Ten Products Exported -- Value of Export (in Millions)

- Semiconductors and related devices	\$4,325
- Electronic computers	\$3,055
- Special industry machinery	\$ 686
- Prerecorded records and tapes	\$ 590
- Computer storage devices	\$ 579
- Telephone apparatus	\$ 574
- Instruments to measure electricity	\$ 547
- Magnetic and optical recording media	\$ 542
- Computer peripheral equip., n.e.c.	\$ 291
- Analytical instruments	\$ 276

# *Bay Area's Top Ten Importing Partners*

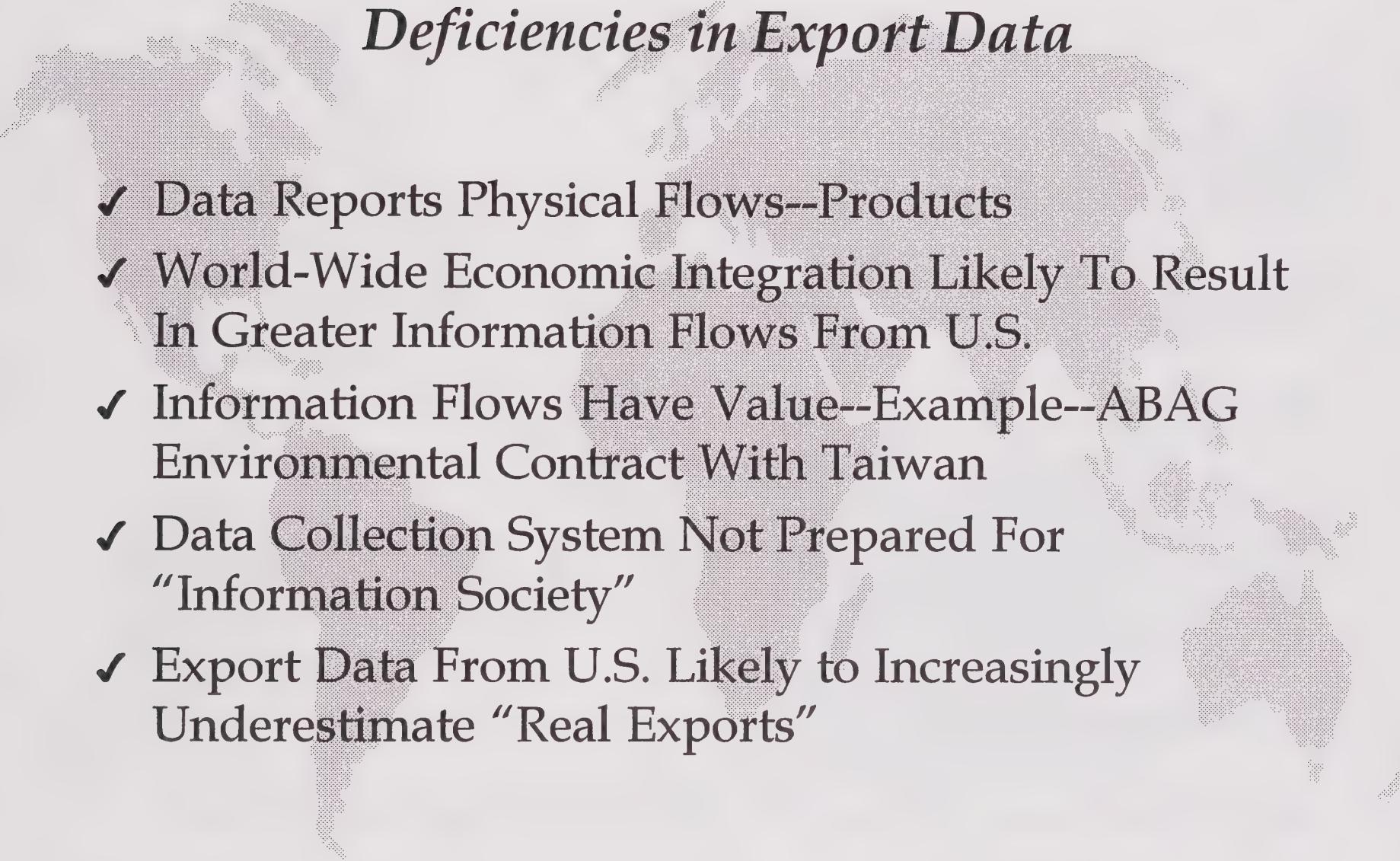
## *1993*

### *Country*

- ✓ Japan
- ✓ Taiwan
- ✓ Singapore
- ✓ Korea
- ✓ Hong Kong
- ✓ Germany
- ✓ United Kingdom
- ✓ Malaysia
- ✓ France
- ✓ Australia

### *Value of Shipments (in Millions)*

\$6,071
\$3,045
\$2,536
\$1,947
\$1,868
\$1,411
\$1,253
\$1,179
\$ 646
\$ 408



## *Deficiencies in Export Data*

- ✓ Data Reports Physical Flows--Products
- ✓ World-Wide Economic Integration Likely To Result In Greater Information Flows From U.S.
- ✓ Information Flows Have Value--Example--ABAG Environmental Contract With Taiwan
- ✓ Data Collection System Not Prepared For "Information Society"
- ✓ Export Data From U.S. Likely to Increasingly Underestimate "Real Exports"



# *Bay Area Economic Forecast*

## **1995-1996**

# *Bay Area Forecast*

## **1995-1996**

### **♦ 1995**

- ✓ Population --6,519,400
- ✓ Population growth since 1990--8.2 percent
- ✓ Median household income (1994\$) \$49,700
- ✓ Mean household income (1994\$) \$64,400
- ✓ Defense-related job losses --10,500
- ✓ Inflation Rate 2.8 %
- ✓ Wage and salary job additions-- 29,000
- ✓ Total employment growth--44,000

### **♦ 1996**

- Population -- 6,615,900
- Population growth since 1990--9.8 percent
- Median household income (1994\$) \$50,600
- Mean household income (1994\$) \$66,100
- Defense-related job losses--6,900
- Inflation Rate 3.4%
- Wage and salary job additions-- 59,000
- Total employment growth--75,000

# *Bay Area Job Forecast*

## *Expected Net Additions By Sector*

### *1995*

- ✓ Construction
- ✓ Manufacturing
- ✓ TCU
- ✓ Wholesale
- ✓ Retail
- ✓ F.I.R.E.
- ✓ Services
- ✓ Government

	Recovery	Recession
Construction	2,500	-5,400
Manufacturing	3,000	-12,900
TCU	3,100	-300
Wholesale	2,900	-5,400
Retail	2,800	-9,500
F.I.R.E.	2,100	200
Services	18,900	14,800
Government	-5,540	-4,100

# *Recovery By County in 1995*

## **Counties Adding the Most Jobs**

- ✓ Santa Clara
- ✓ San Mateo
- ✓ Contra Costa
- ✓ Sonoma
- ✓ Marin

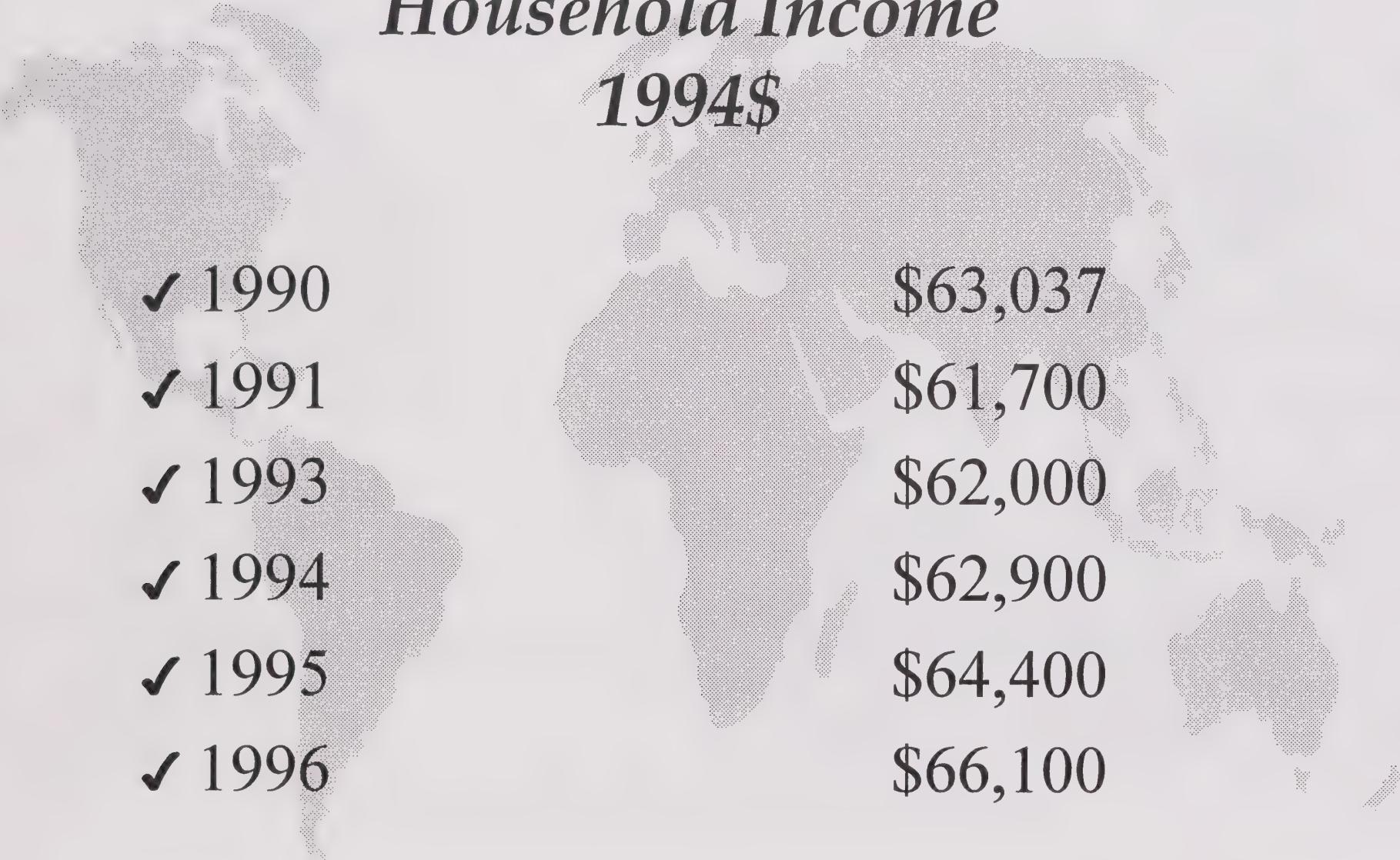
## **Slow Growth or No Growth**

- ✓ Alameda
- ✓ Napa
- ✓ San Francisco
- ✓ Solano

# *Recovery In Bay Area Average Household Income*

## 1994\$

- ✓ 1990
- ✓ 1991
- ✓ 1993
- ✓ 1994
- ✓ 1995
- ✓ 1996



\$63,037  
\$61,700  
\$62,000  
\$62,900  
\$64,400  
\$66,100

# *Average Household Income*

## *1994\$*

	1990	1994	1995
Alameda	\$55,149	\$54,900	\$55,900
Contra Costa	\$66,901	\$66,100	\$67,500
Marin	\$82,645	\$82,400	\$83,700
Napa	\$56,181	\$56,900	\$56,900
San Francisco	\$55,562	\$56,100	\$57,400
San Mateo	\$71,685	\$72,300	\$74,900
Santa Clara	\$70,285	\$70,500	\$72,300
Solano	\$52,757	\$51,100	\$52,200
Sonoma	\$53,998	\$53,100	\$55,500
Bay Area	\$63,037	\$62,900	\$64,400

# *Slow Recovery In Bay Area Median Household Income*

## 1994\$

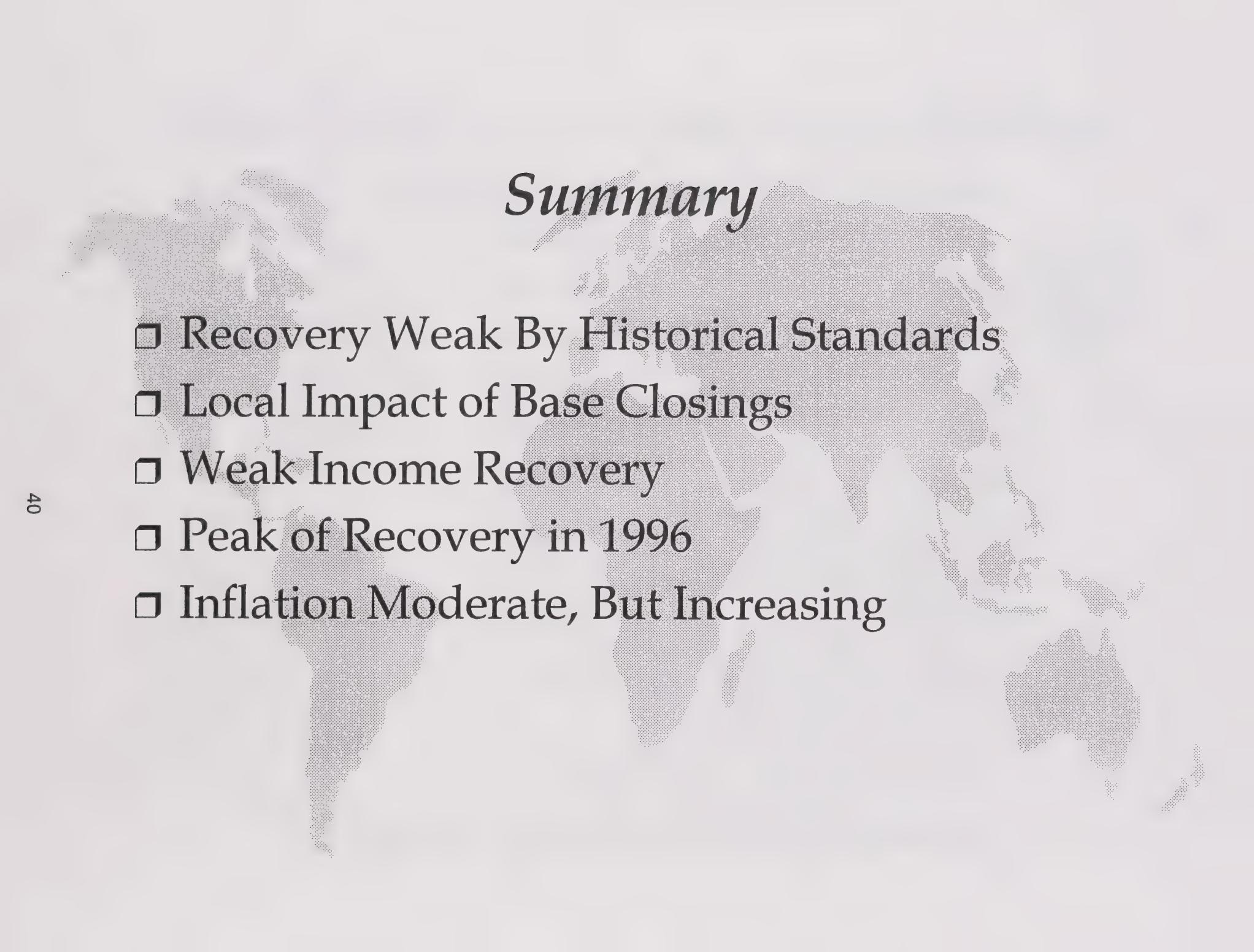
- ✓ 1990
- ✓ 1991
- ✓ 1993
- ✓ 1994
- ✓ 1995
- ✓ 1996

\$50,304
\$48,800
\$48,700
\$48,900
\$49,700
\$50,600

# *Median Household Income*

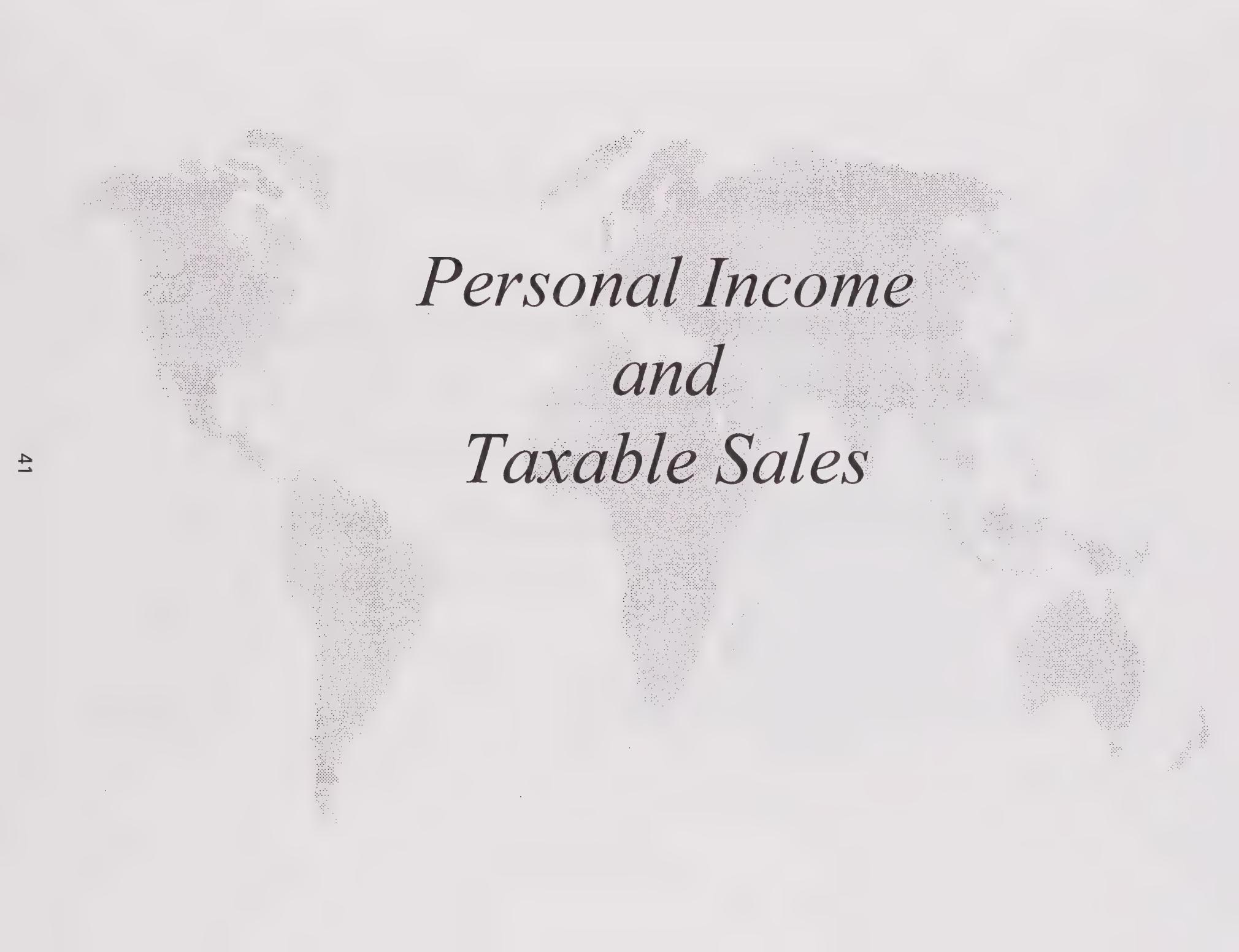
## 1994\$

	1990	1994	1995
Alameda	\$45,001	\$43,800	\$43,300
Contra Costa	\$54,792	\$52,900	\$53,600
Marin	\$59,174	\$56,600	\$56,700
Napa	\$44,326	\$43,500	\$42,900
San Francisco	\$40,671	\$40,100	\$40,700
San Mateo	\$55,914	\$54,400	\$55,700
Santa Clara	\$58,407	\$56,900	\$57,900
Solano	\$47,323	\$45,400	\$46,200
Sonoma	\$44,224	\$42,600	\$44,100
Bay Area	\$50,304	\$48,900	\$49,700



## *Summary*

- Recovery Weak By Historical Standards
- Local Impact of Base Closings
- Weak Income Recovery
- Peak of Recovery in 1996
- Inflation Moderate, But Increasing



# *Personal Income and Taxable Sales*

# *Topics*

- ✓ Personal Income:  
The Uphill Challenge Continues
- ✓ Taxable Sales:  
A Restructuring of the Playing Field
- ✓ County Forecasts:  
Local Strengths and Weaknesses

## *Underlying Assumptions*

- ✓ Energy prices to remain low through 1995
- ✓ Emerging industries continue to mature
- ✓ Interest rates up 1+ percent during 1995
- ✓ Improving economies among major trading partners

# *Personal Income: Analysis and Forecasts*

# *Factors Affecting Income Growth*

- ✓ Employment Levels
- ✓ Real Wages
- ✓ Consumer Price Index  
(a.k.a. inflation)

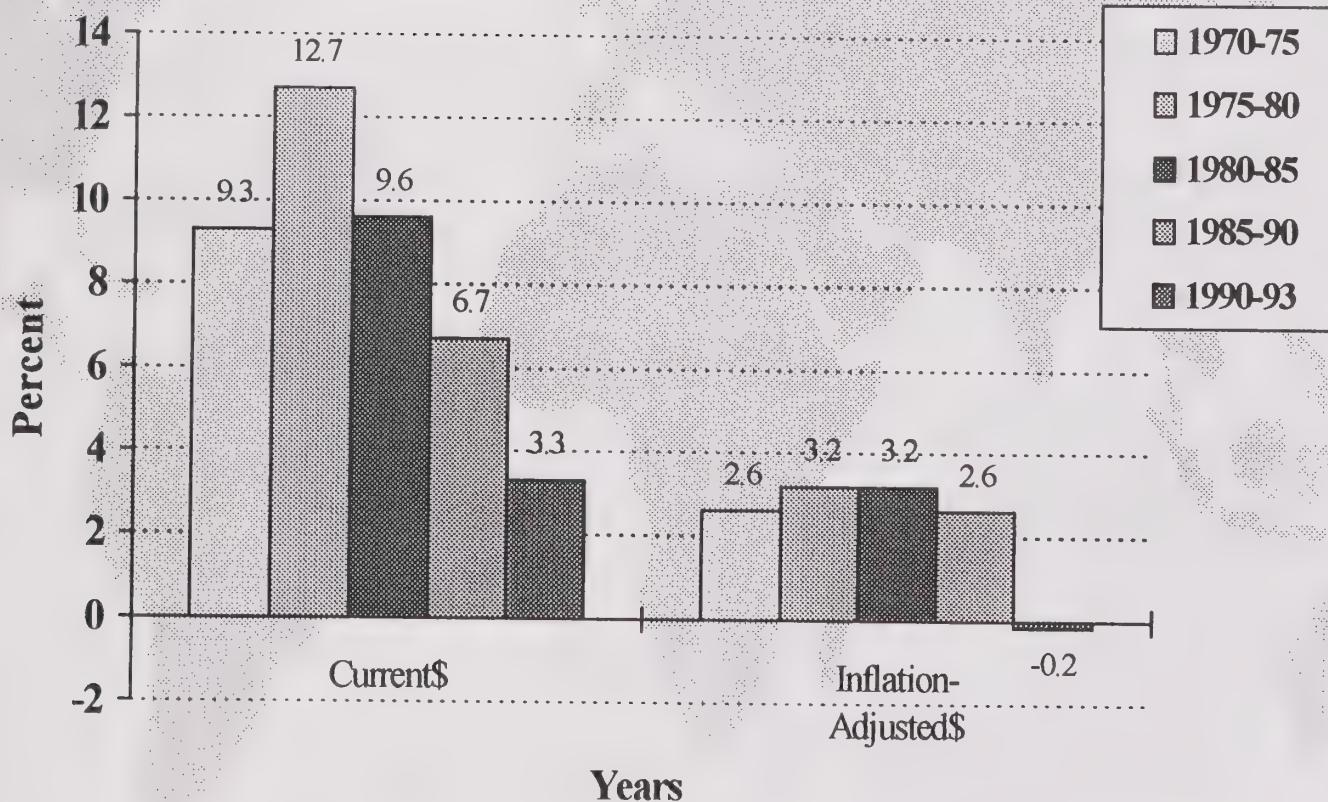
*Total Personal Income*  
*Average Annual Percent Growth*  
*1970 - 1990, 1990 - 1993*  
*Constant\$*

	<b>1970-1990</b>	<b>1990-1993</b>
<b>Bay Region</b>	2.5	0.7
<b>California</b>	3.1	-0.1
<b>USA</b>	2.3	1.0

*Total Personal Income*  
*Average Annual Percent Growth*  
1970 - 1990, 1990 - 1993  
*Current\$*

	1970-1990	1990-1993
<b>Bay Region</b>	9.0	3.7
<b>California</b>	9.8	3.1
<b>USA</b>	9.0	4.7

*Average Annual Percent Growth  
Total Personal Income  
Bay Region, 1970 - 1993*



# *Personal Income Forecasts*

# *Total Personal Income Growth*

*Bay Region, 1993 - 1996*

*Current\$*

	1993	1994	1995	1996
<b>Percentage Growth:</b>				
Employment	-0.5	0.4	1.0	2.1
CPI	2.7	1.6	2.8	3.4
<b>Personal Income</b>	2.5	4.0	6.3	7.2

# *Comparison of Personal Income Growth*

## *1993, 94, 95, 96*

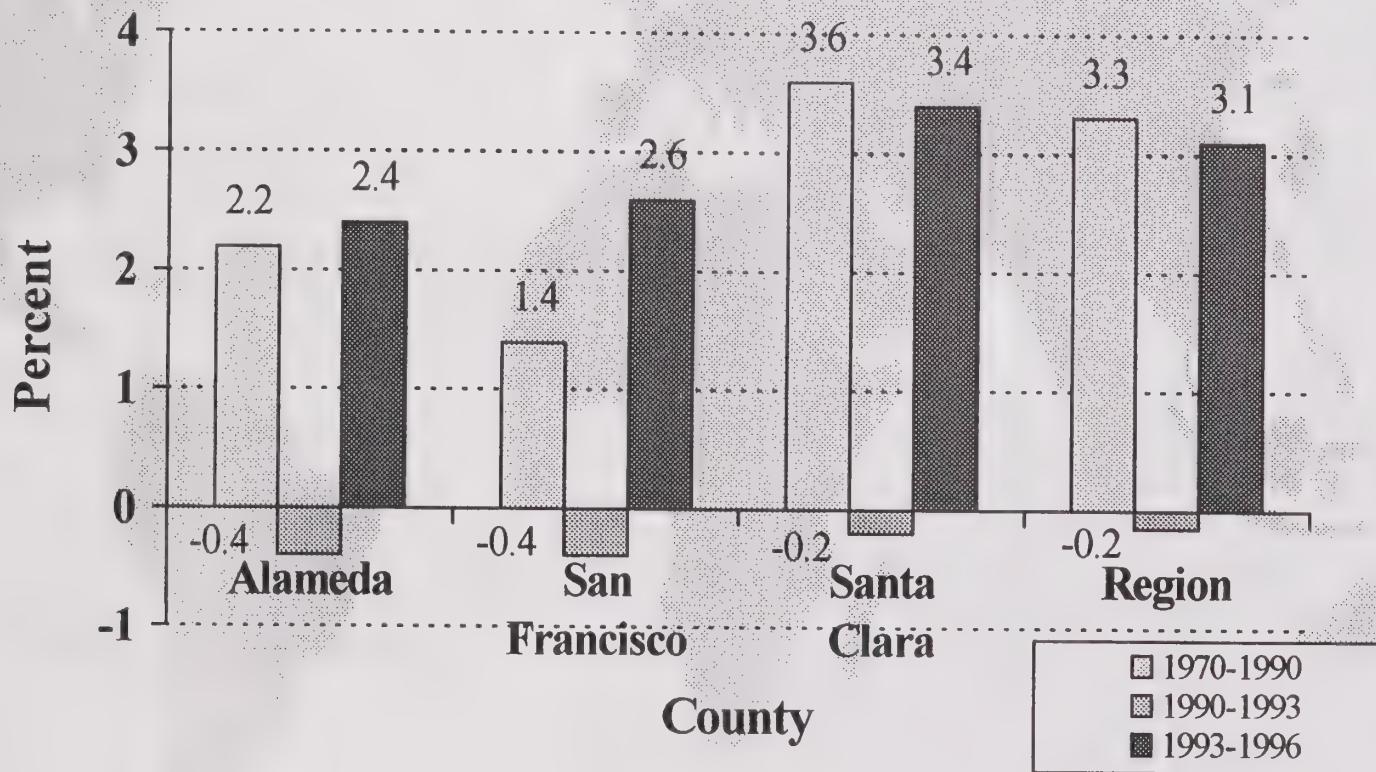
### *(Current\$)*

	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>1 Bay Region</b>	2.5	4.0	6.3	7.2
<b>2 California</b>	2.3	3.6	5.1	6.1
<b>3 United States</b>	4.3	5.5	6.6	7.0

1. Source: ABAG
2. Source: DoF
3. Source: CBO

# *Total Personal Income by County*

## *Average Annual Percent Growth*

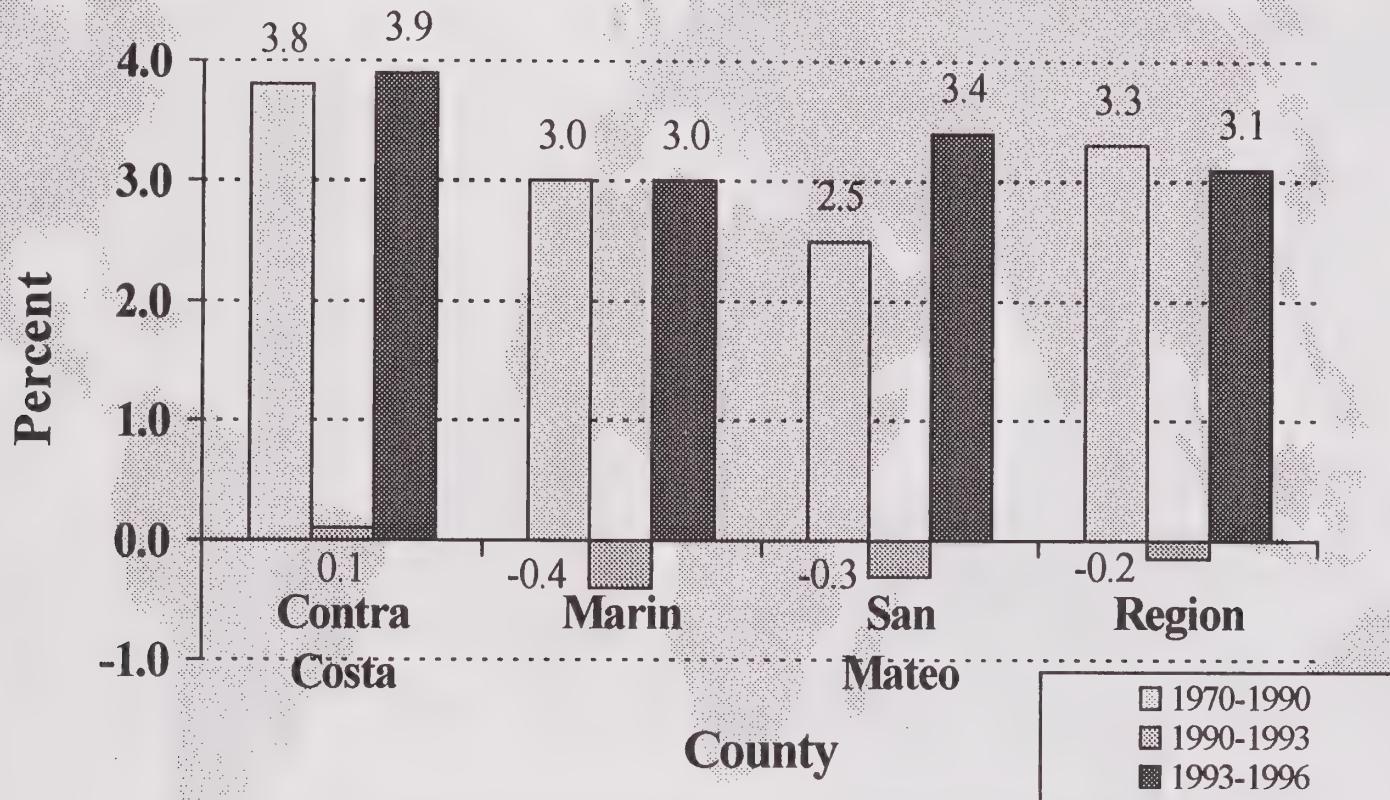


Source: ABAG

Constant \$

# *Total Personal Income by County*

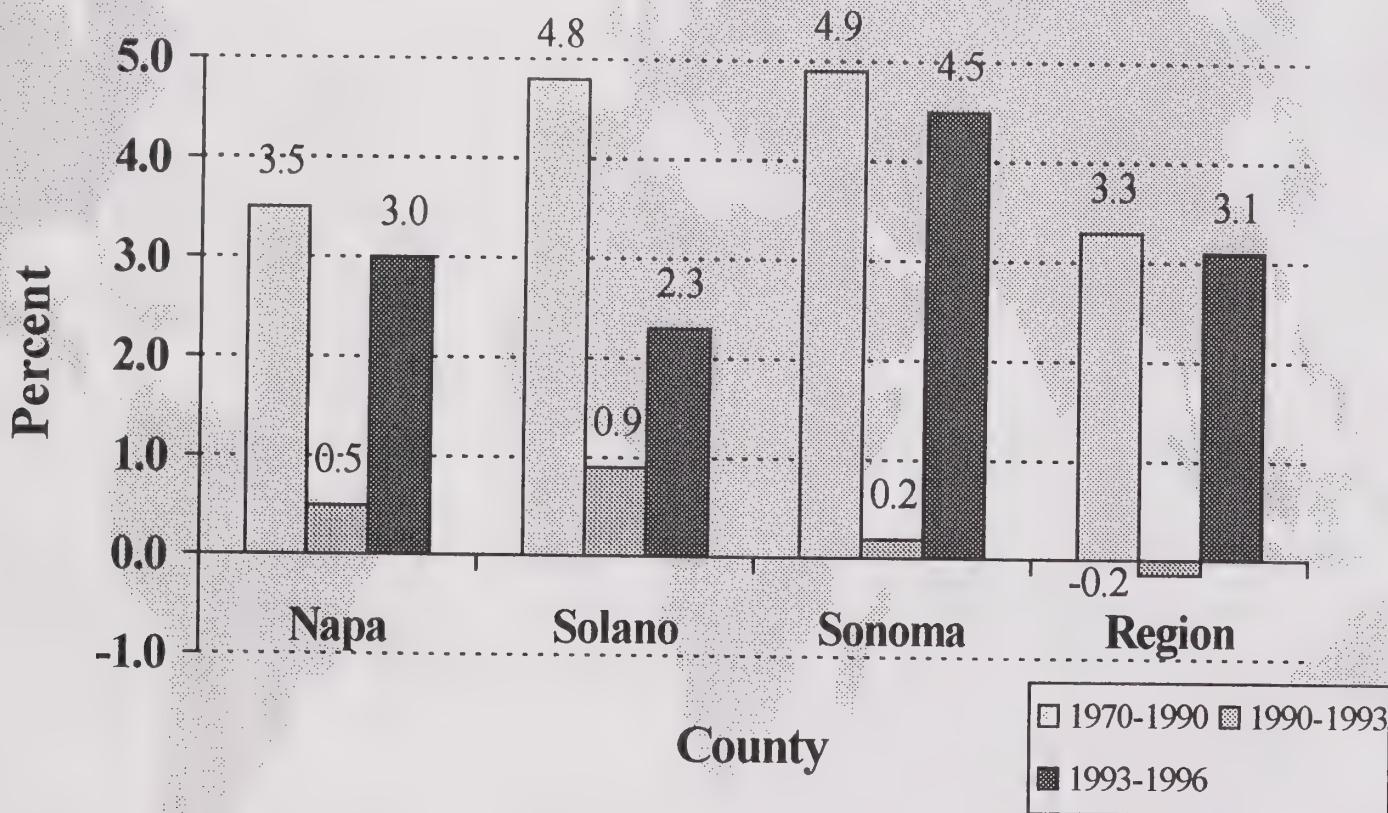
## *Average Annual Percent Growth*



Source: ABAG

Constant \$

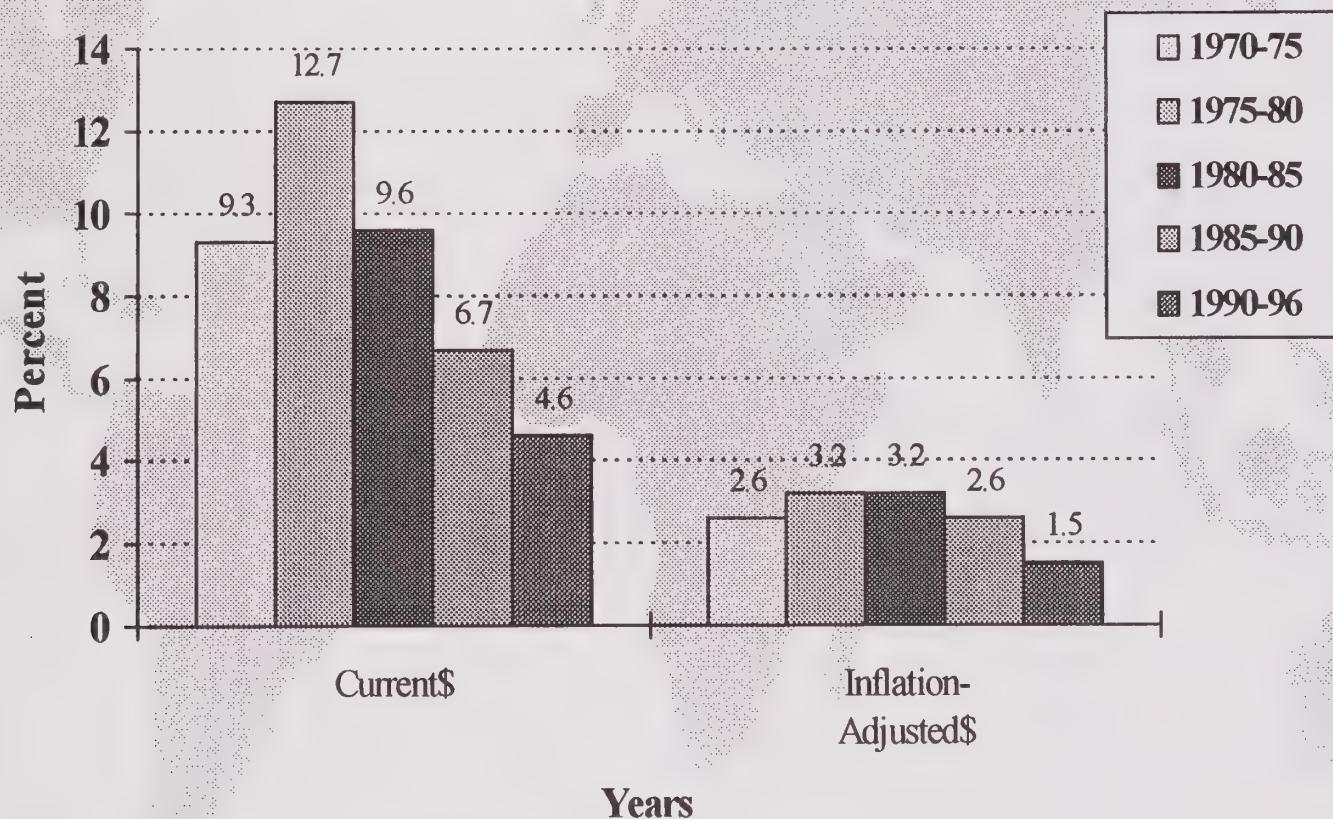
## *Total Personal Income by County* *Average Annual Percent Growth*



Source: ABAG

Constant \$

*Average Annual Percent Growth  
Total Personal Income  
Bay Region, 1970 - 1996*



# *Taxable Sales: Analysis and Forecasts*

## *Significance of Retail Sales*

- ✓ Approximately 63 percent of Total Taxable Sales
- ✓ Total Taxable Sales about \$65.8 Billion in 1993
- ✓ Approximately 20 percent of General Revenues to Bay Region City Governments

## *Factors Affecting Retail Sales*

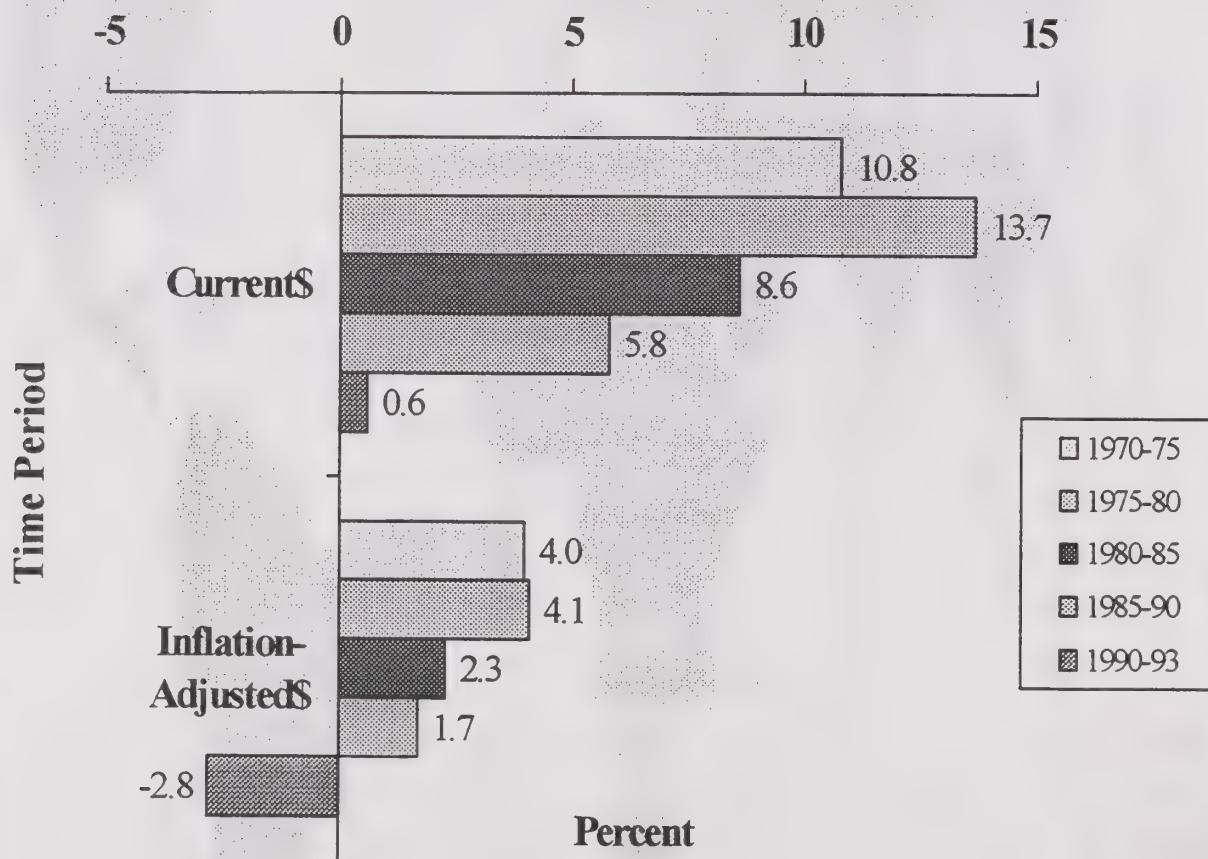
- ✓ Income
- ✓ Interest Rates
- ✓ Consumer Optimism
- ✓ National Economic Trends
- ✓ Demographics

# *Total Taxable Sales*

*Annual Average Percent Growth  
1990 - 1993*

	<b>Inflation</b>	
	<b>Current\$</b>	<b>Adjusted\$</b>
<b>Bay Region</b>	0.6	-2.8
<b>Los Angeles Basin</b>	-2.3	-5.6
<b>California</b>	-1.2	-4.5

## *Average Annual Percent Growth of Total Taxable Sales Bay Region, 1970-1993*



# *Taxable Sales Classification*

## *Percent Growth 1990-93, 1992-93*

*Constant\$*

	<b>1990-93</b>	<b>1992-93</b>
<b>Retail Stores</b>	-7.9	-1.8
<b>Nondurable Goods</b>	-5.7	-3.4
Apparel	-5.0	-1.2
Gen. Merchd.	-7.2	-4.3
Specialty	-4.6	1.0
Food Stores	-8.1	-17.8
Restaurant/Bars	-4.4	-0.8
Service Stations	-4.6	0.6
<b>Durable Goods</b>	-12.6	2.4
Home Furnishings	-10.8	-0.1
Building Materials	-13.8	1.3
Automobile Dealerships	-12.6	3.9
<b>Business/Personal Services</b>	-12.1	-3.0
<b>All Other Outlets</b>	-8.0	-2.1

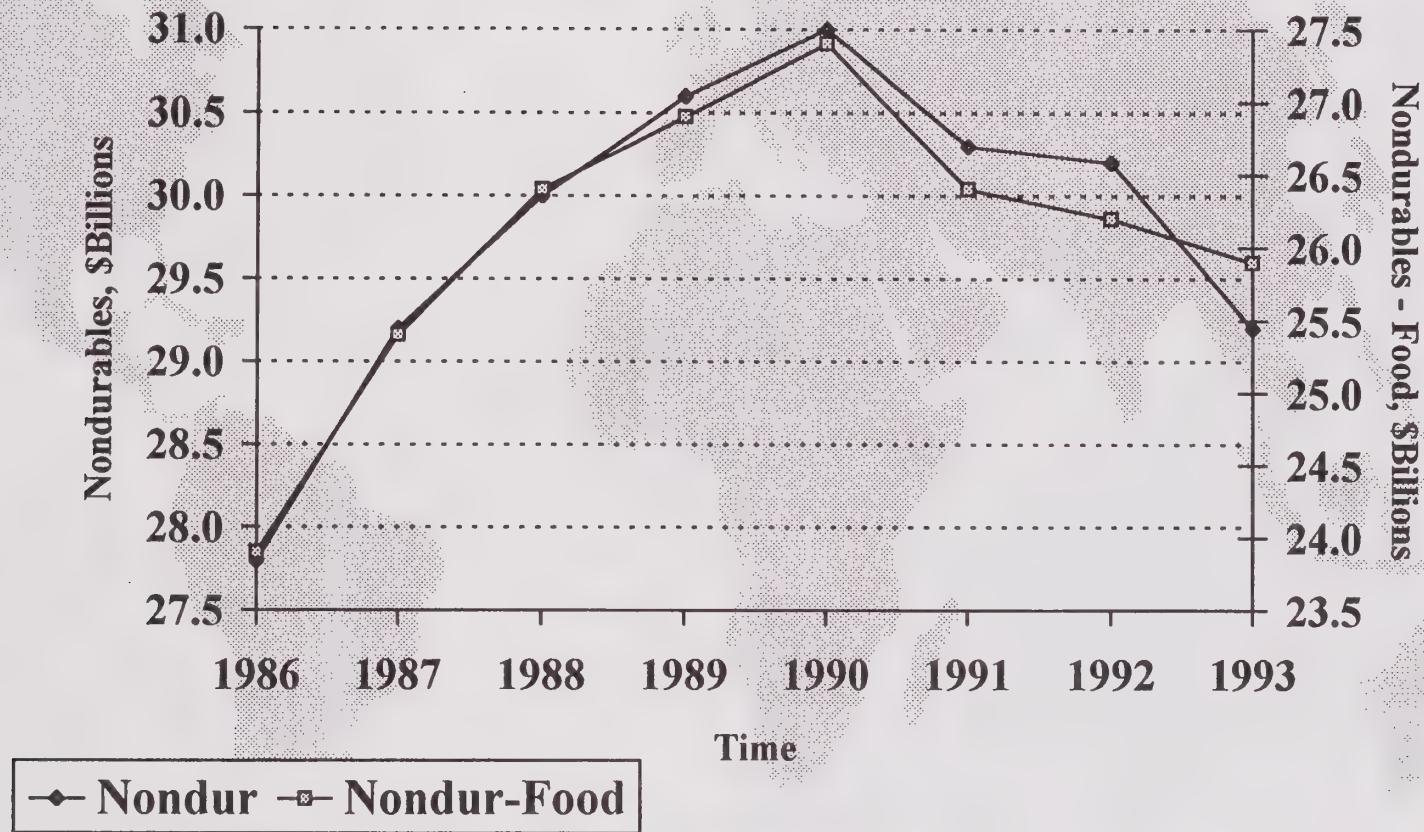
## *Change in Snack Tax Law*

- ✓ Changed tax exempt status of various foods
- ✓ Implemented July 1991
- ✓ Repealed December 1992
- ✓ Covers snack foods such as
  - cookies
  - bottled water
  - chips

# *Nondurable Taxable Sales*

## *Bay Region, 1986-1993*

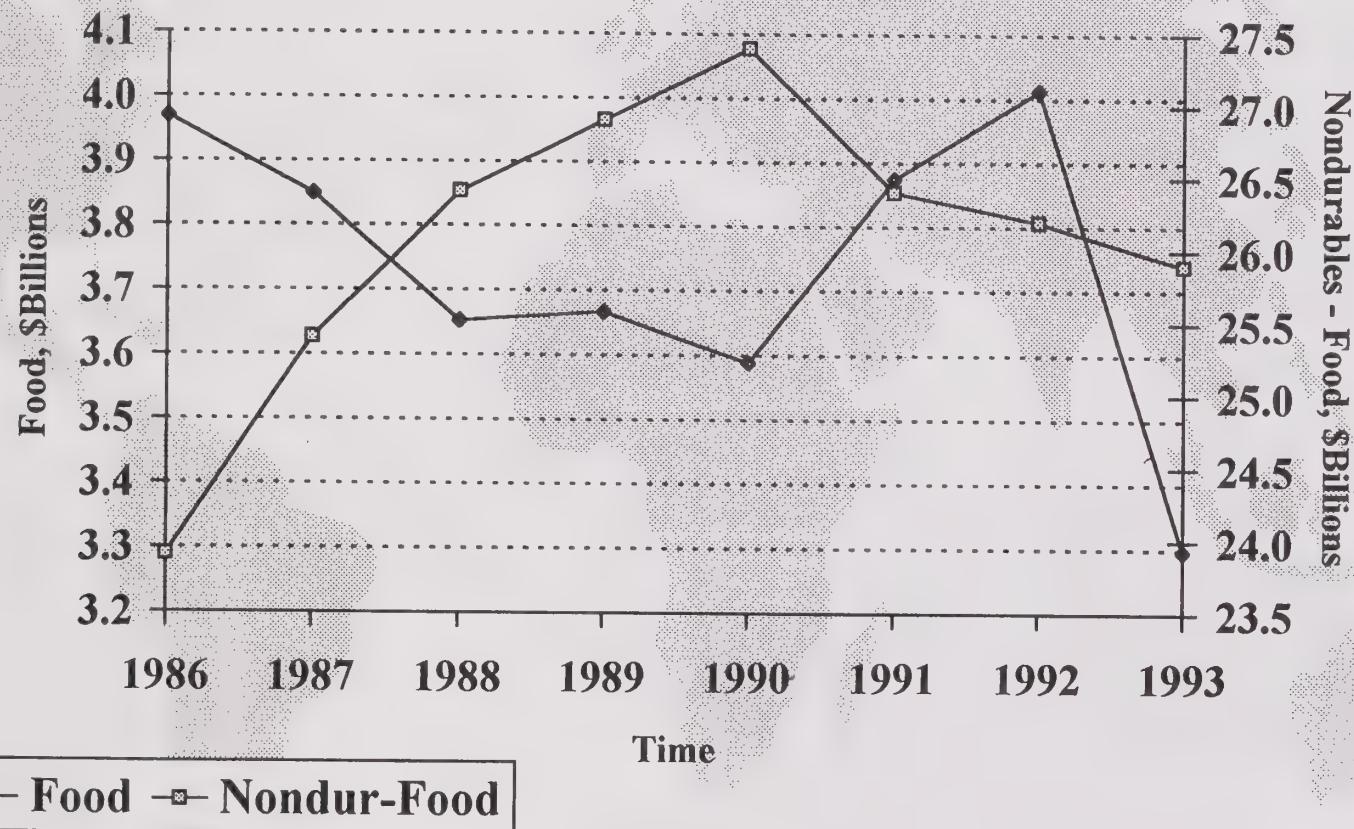
### *Constant\$*



# *Food Store Taxable Sales*

## *Bay Region, 1986-1993*

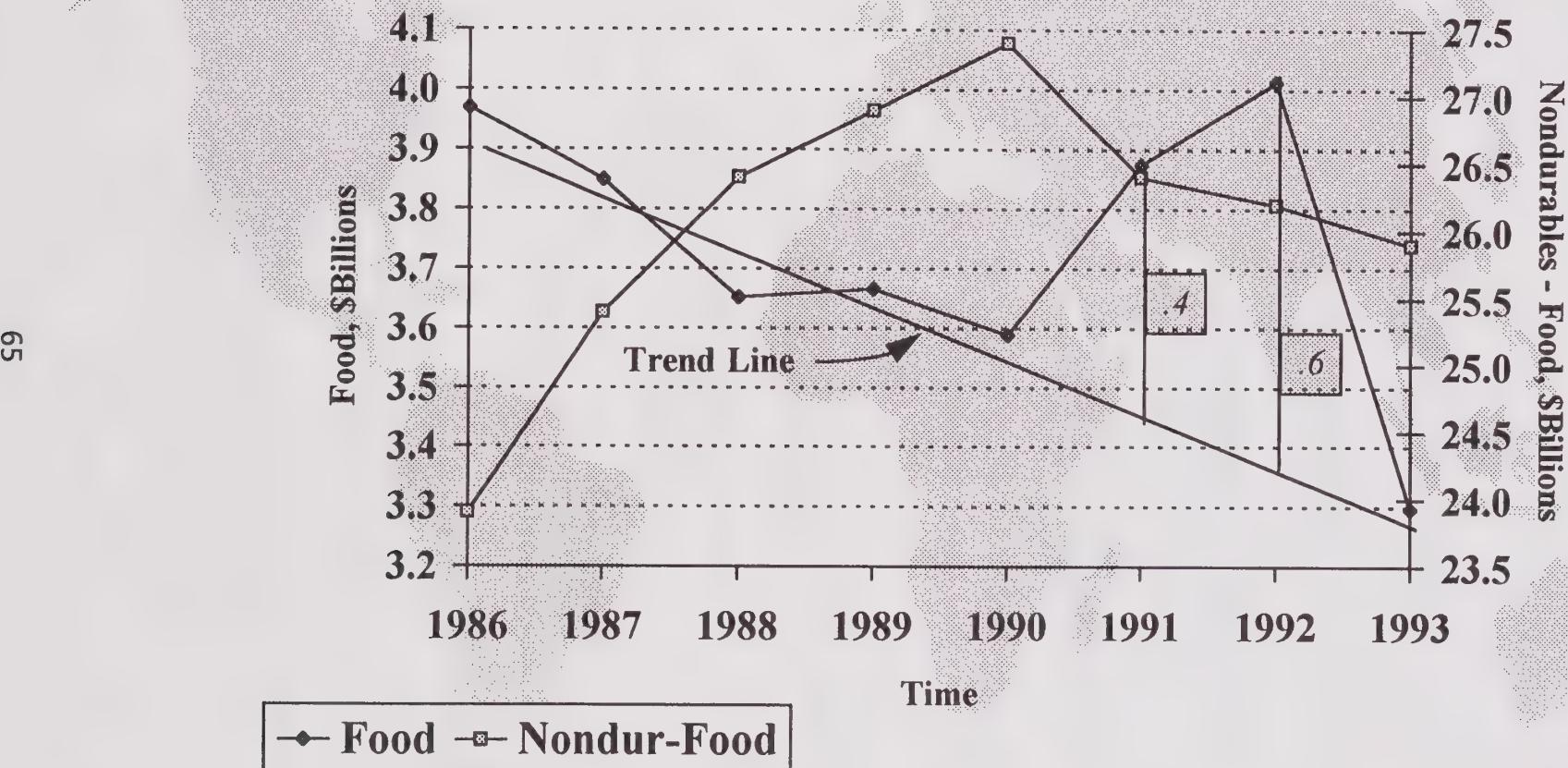
### *Constant\$*



# *Food Store Taxable Sales*

## *Bay Region, 1986-1993*

### *Constant\$*



---

## Taxable Sales Classification

### Retail Stores

#### Nondurable

Apparel (Women's apparel, Men's apparel,  
Family apparel, Shoes)

General Merchandise (Limited-price variety, Department,  
Drug stores, Other)

Specialty (Gifts and novelties, Sporting goods,  
Florists, Musical instruments, Stationery, Jewelry, Office and store supplies, Candy and tobacco, Other specialties)

Food (Food stores selling all liquors, Other food stores, Packaged liquor stores)

Eating and Drinking (Eating places, Drinking places)

### Service Stations

#### Durable

Home Furnishings (Household and home furnishings,  
Household appliance dealers)

Building Materials (Lumber and building materials, Hardware stores, Plumbing and electrical supplies, Paint, Glass and wallpaper)

Auto Dealers (New and used motor vehicle dealers, Automotive supplies, Trailer, boat, cycle and plane dealers)

### Business and Personal Services

(Hotels and motels, Automotive repair, Repair and hand trade, Clubs, Shoe repair, Morticians, Personal services shops and amusements)

### All Other Outlets

(Nonstore retailers, Temporary and part-time permittees, Occasional sales of autos/boats, Cigarette vendors, Public utilities, Manufacturing/ Wholesale outlets)

# *Taxable Sales Forecasts*

# *Comparison of Last Year's Forecast*

*Percent Growth in Retail Sales*

*1992 - 1993*

*(Current Dollars)*

	<b>Forecast</b>	<b>Actual</b>	<b>Actual w/o food</b>
<b>Retail Sales</b>	3.5	0.9	2.6

# *Total Taxable Sales*

## *Bay Region*

*1993, 1994, 1995, 1996*

	<b>Total Dollars (Billions)</b>	<b>Annual Growth (Current \$)</b>	<b>Annual Growth (Inflation adjusted)</b>
<b>1993</b>	65.8	0.7	-2.0
<b>1994</b>	68.6	4.3	2.7
<b>1995</b>	73.1	6.6	3.7
<b>1996</b>	78.0	6.6	3.1

# *Total Taxable Sales Growth*

*Bay Region*

*Percentage Growth, Constant\$*

	Actual			
	1993	1994	1995	1996
<b>Total Sales</b>	-2.0	2.7	3.7	3.1
<b>Retail Sales</b>	-1.8	2.7	3.8	2.8
<b>Durable Goods</b>	2.4	4.9	6.4	3.6
<b>Nondurable Goods</b>	-3.4	1.9	2.6	2.4
<b>Business/Personal Services</b>	-3.0	3.0	4.5	4.4
<b>All Other Outlets</b>	-2.1	2.5	3.4	3.6
<b>Inflation</b>	2.7	1.6	2.8	3.4

# *Nondurable Retail Sales Growth*

*Bay Region*

*Percentage Growth, Constant\$*

	Actual			
	1993	1994	1995	1996
<b>Nondurable Goods</b>	-3.4	1.9	2.6	2.4
Apparel	-1.2	0.6	1.3	1.5
General Merchandise	-4.3	3.5	4.6	3.9
Specialty Stores	1.0	4.2	5.2	4.4
Food Stores	-17.8	-1.8	-1.7	-2.0
Restaurants/Bars	-0.8	1.8	2.2	2.9
Service Stations	0.6	-1.9	-1.4	-1.7
<b>Inflation</b>	2.7	1.6	2.8	3.4

# *Durable Retail Sales Growth*

*Bay Region*

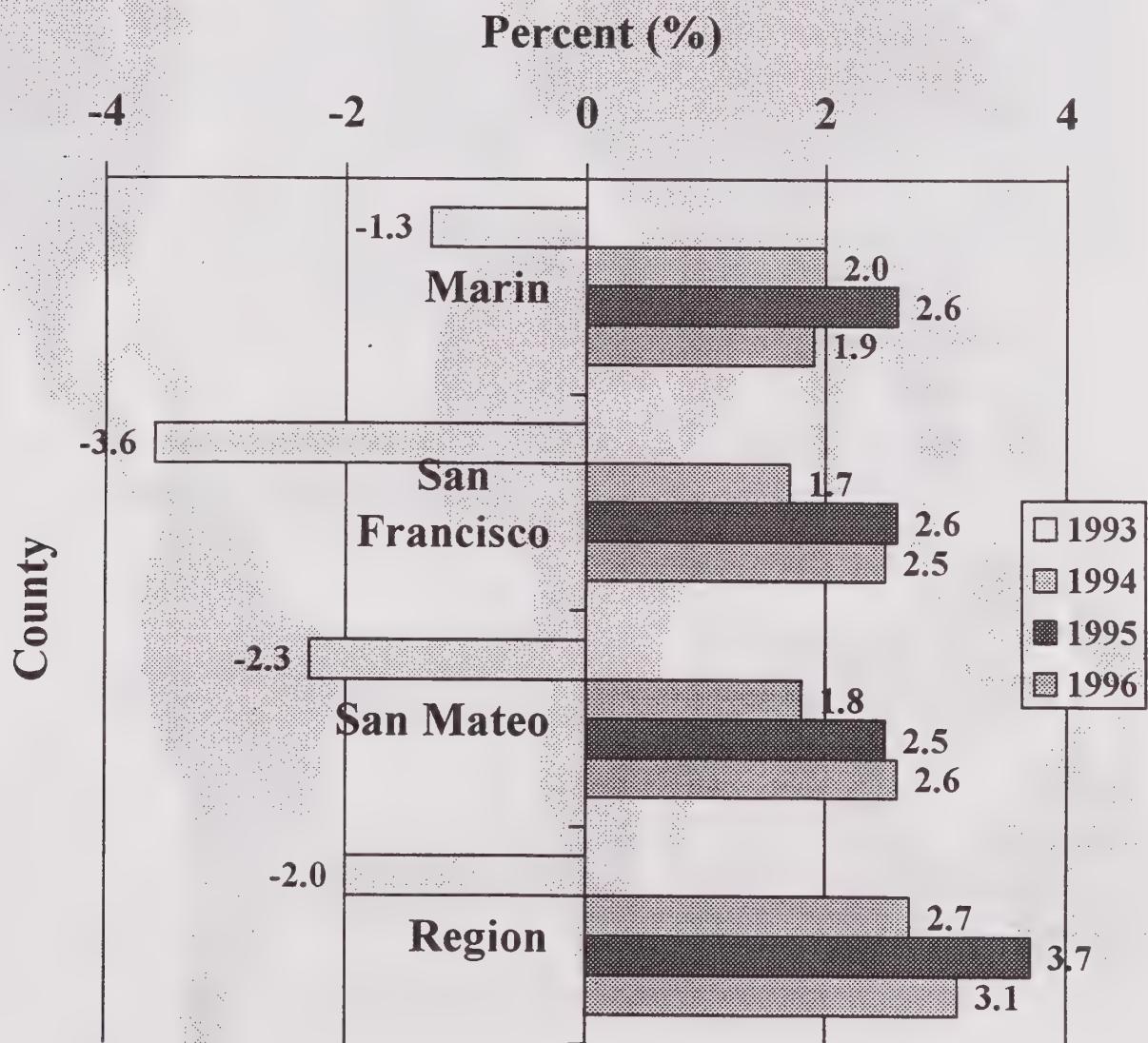
*Percentage Growth, Constant\$*

	Actual			
	1993	1994	1995	1996
<b>Durable Goods</b>	2.4	4.9	6.4	3.6
<b>Home Furnishings</b>	-0.1	4.6	5.6	2.7
<b>Building Materials</b>	1.3	5.7	7.1	6.4
<b>Auto Dealerships</b>	3.9	4.5	6.3	2.4
<b>Inflation</b>	2.7	1.6	2.8	3.4

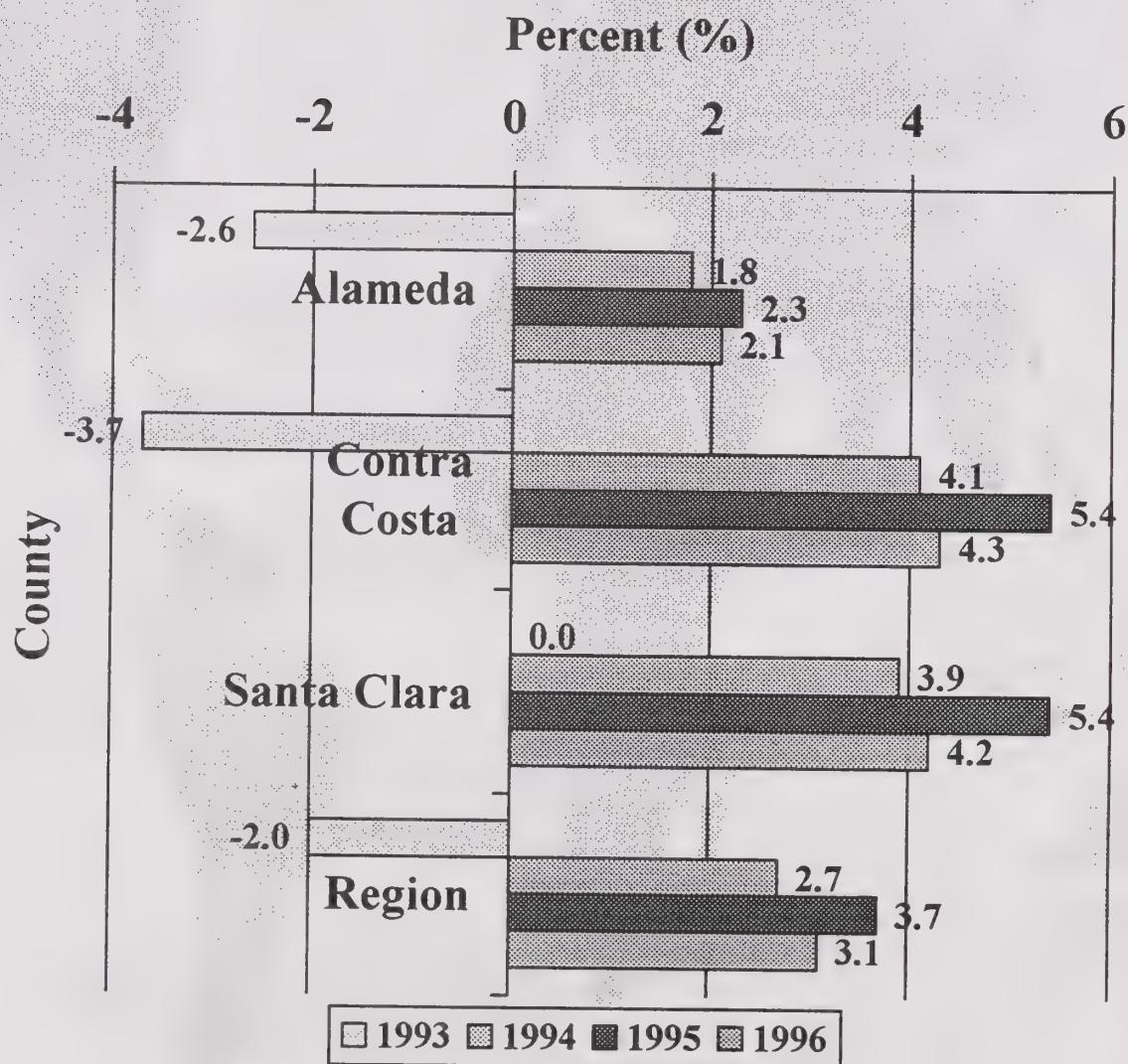
# *Taxable Sales Forecasts by County*

## *Marin, San Francisco, San Mateo*

### *Percentage Growth, Constant\$*



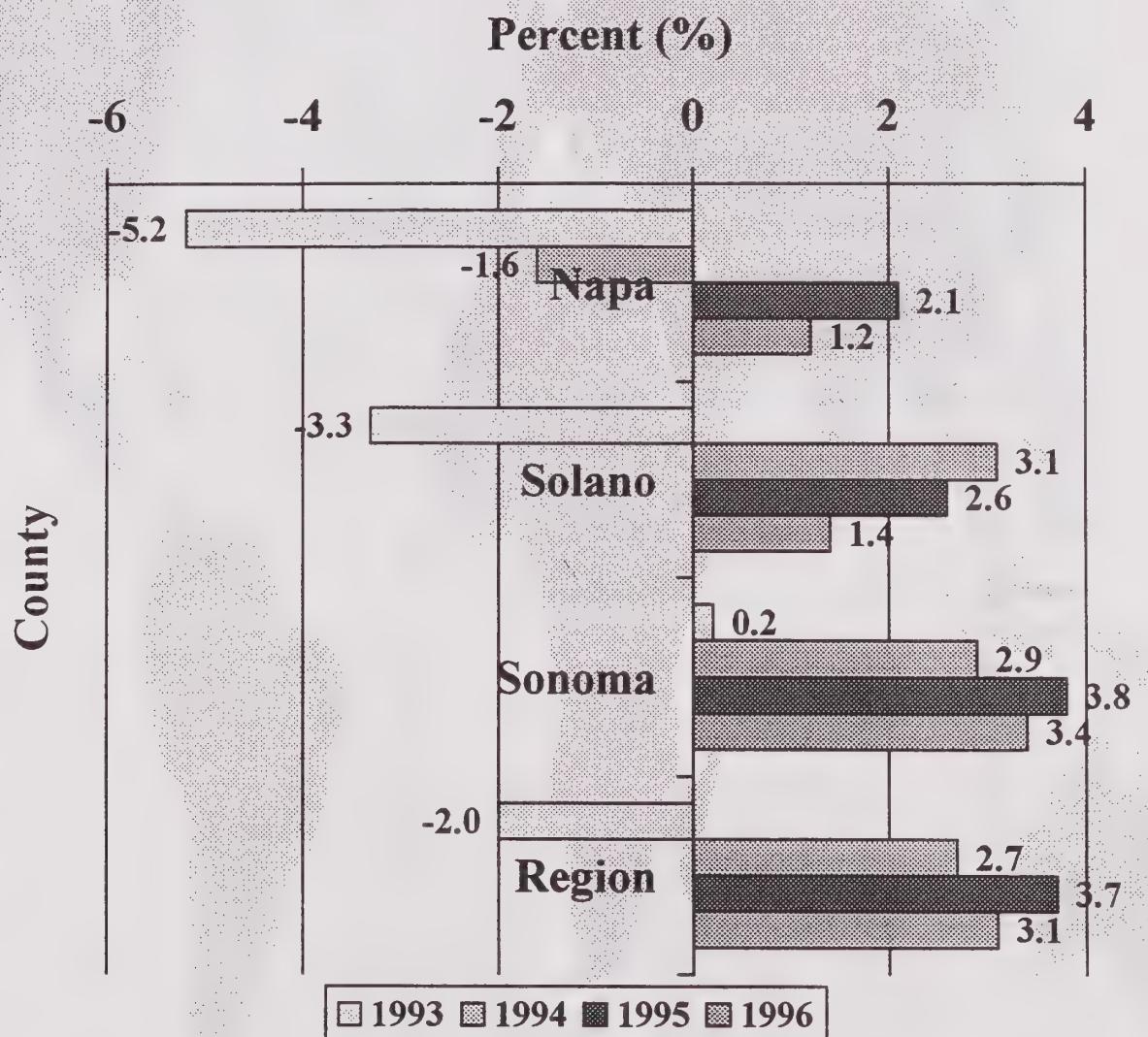
## *Taxable Sales Forecasts by County Alameda, Contra Costa, Santa Clara Percentage Growth, Constant\$*



# *Taxable Sales Forecasts by County*

## *Napa, Solano, Sonoma*

### *Percentage Growth, Constant\$*



## *TV Shopping ...*

### *Market Acceptance is still a question*

#### *Plusses*

- ✓ Convenience
- ✓ Early Growth is encouraging
- ✓ High Product Exposure

#### *Minuses*

- ✓ Returns are a problem
- ✓ Infrastructure not in place
- ✓ Customers don't control content

# *Summary of Personal Income and Taxable Sales*

- ✓ Real PI Growth anticipated in 1995 and 1996
- ✓ Expect to parallel National PI Growth by 1996
- ✓ The Snack Tax law biased 1991 -1993 retail trend data, especially in the Food sector
- ✓ Taxable Sales to improve 3.7% in 1995, 3.1% in 1996 (Constant\$)
- ✓ Durable Goods will be strong between 1994-1996
- ✓ TV Sales Impact: Uncertainty prevails

## ABAG Economic Briefing

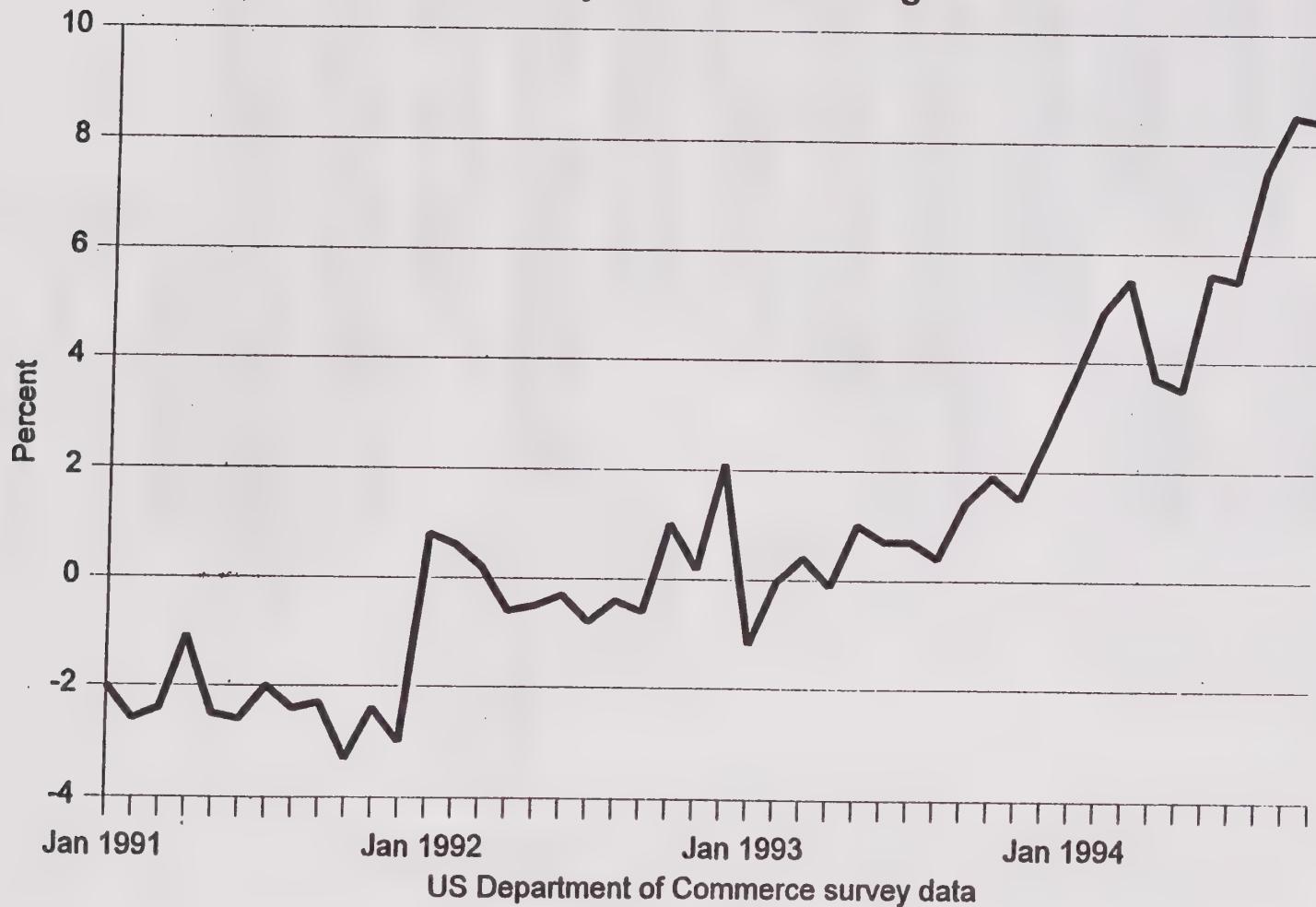
### CALIFORNIA OUTLOOK

- ✓ Recovery is underway: Employment, unemployment, housing activity, retail sales and state tax revenues all confirm the economic upturn.
- ✓ With benefit of hindsight, defense spending cuts were the major cause of deep recession. Including direct and indirect effects, aerospace and defense accounted for about 75% of 720,000 job loss during the recession. Much of the rest of the downturn is explained by nonresidential real estate and construction slump.
- ✓ Federal tax increase doesn't help: California, with 12.4% of Federal taxpayers is paying 16.3% of 1993 income and payroll tax hike (US Treasury figures).
- ✓ Recovery pace will be dampened by continuing defense cuts, base closings and little prospect for upturn in commercial construction (although sales and leases of existing properties are on the rise.) Continuing restructurings in banking and the utilities will also hold down growth rate.
- ✓ Export driven recovery: Is the rest of the world more important to California than the rest of the US? 1994 performance suggests this possibility.
- ✓ Recovery centered in construction (earthquake rebuilding and housing), manufacturing except aerospace, wholesale trade (import/export), and diverse services. Gains in services mainly in high-paid industries including motion pictures, engineering and management consulting and computer software and systems. On balance, high-paid aerospace jobs are being replaced by high-paid services jobs.
- ✓ Longer term perspective: With price-insensitive defense industry fading, California must become more competitive: Regulatory costs, real estate costs, wage levels and yes, even taxes, are all part of the competitive equation.

**Ted Gibson, Chief Economist  
California Department of Finance**

# California Retail Sales

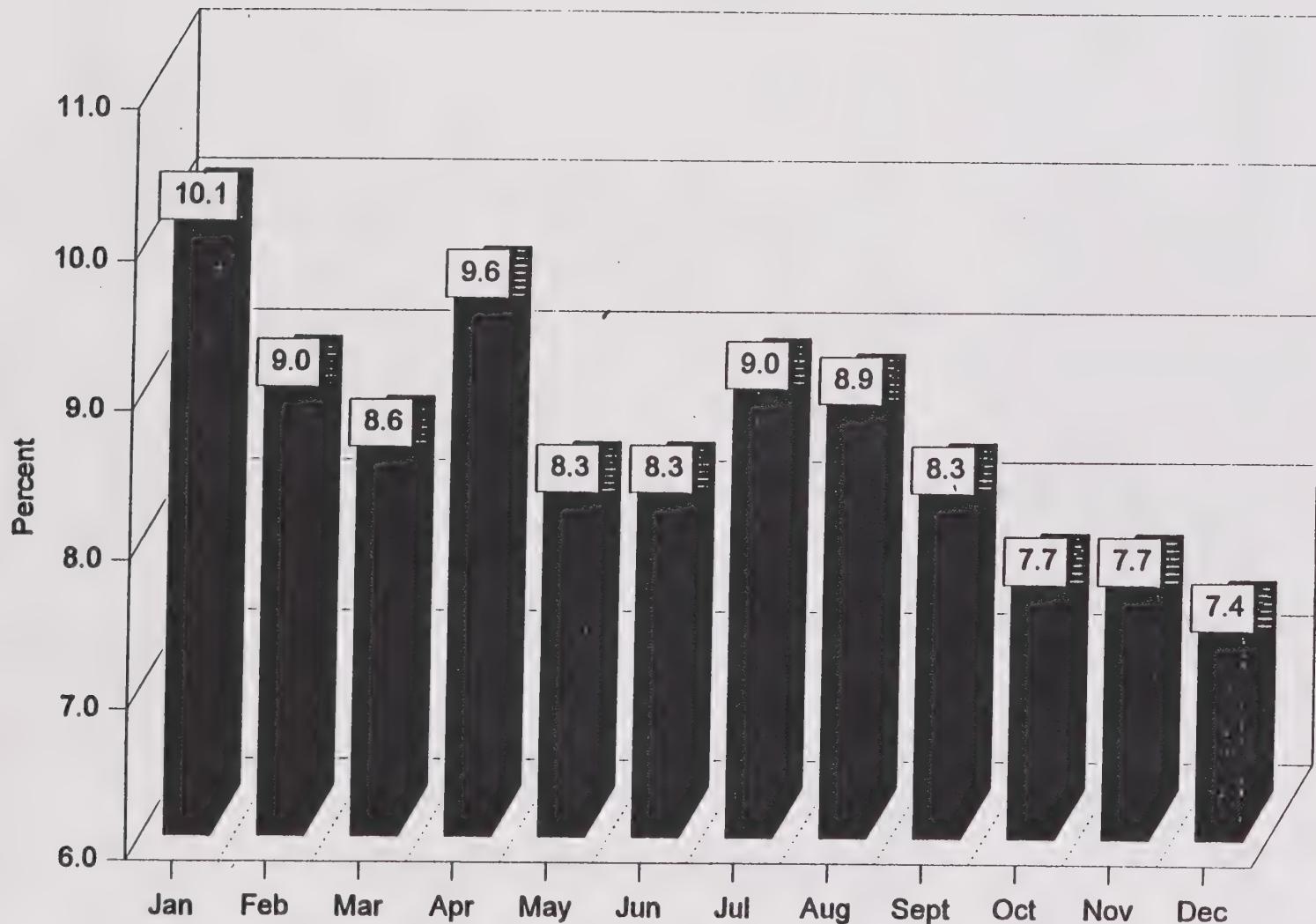
Year-to-year Percent Change



US Department of Commerce survey data

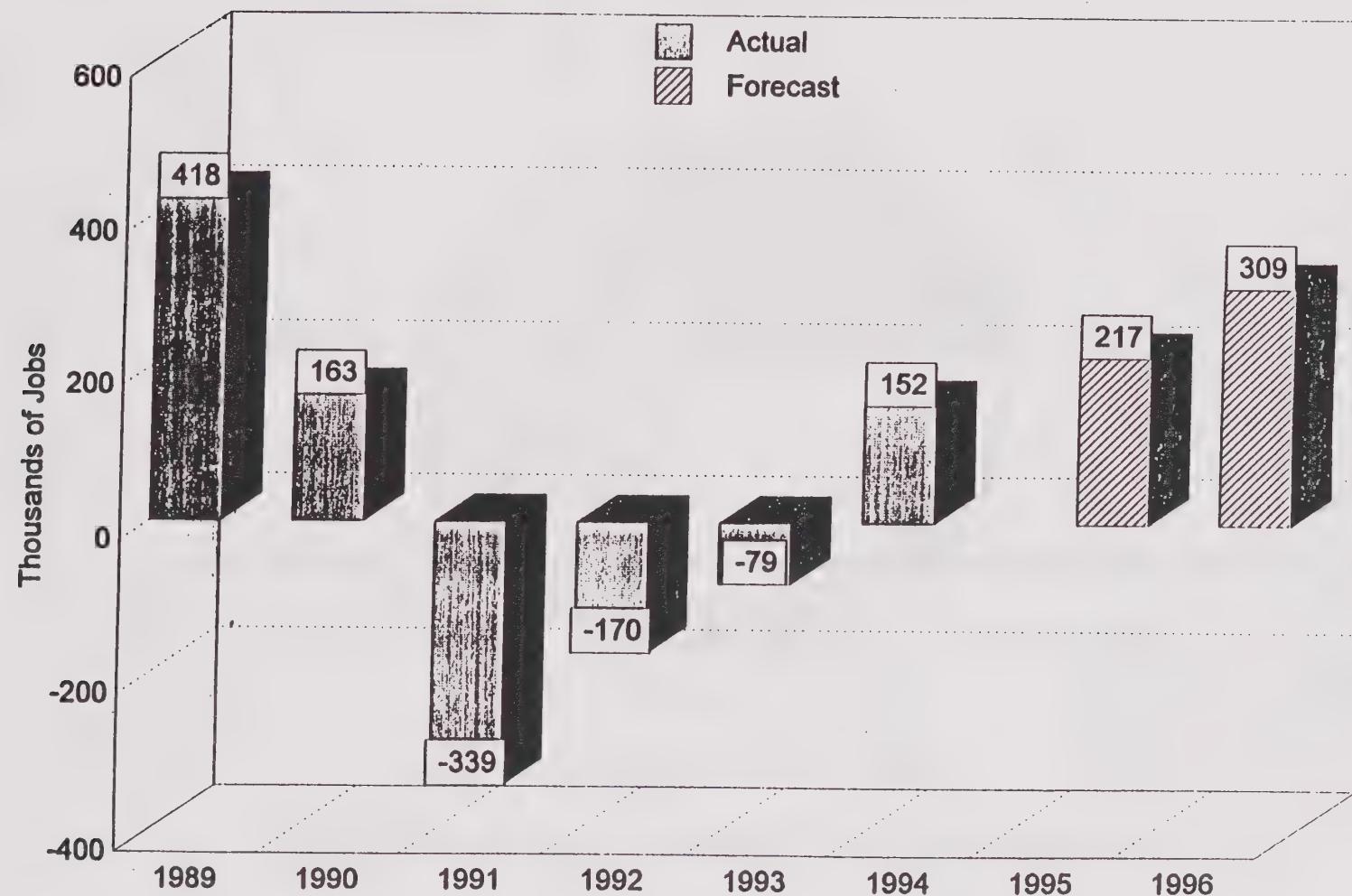
# California Unemployment Rate

08



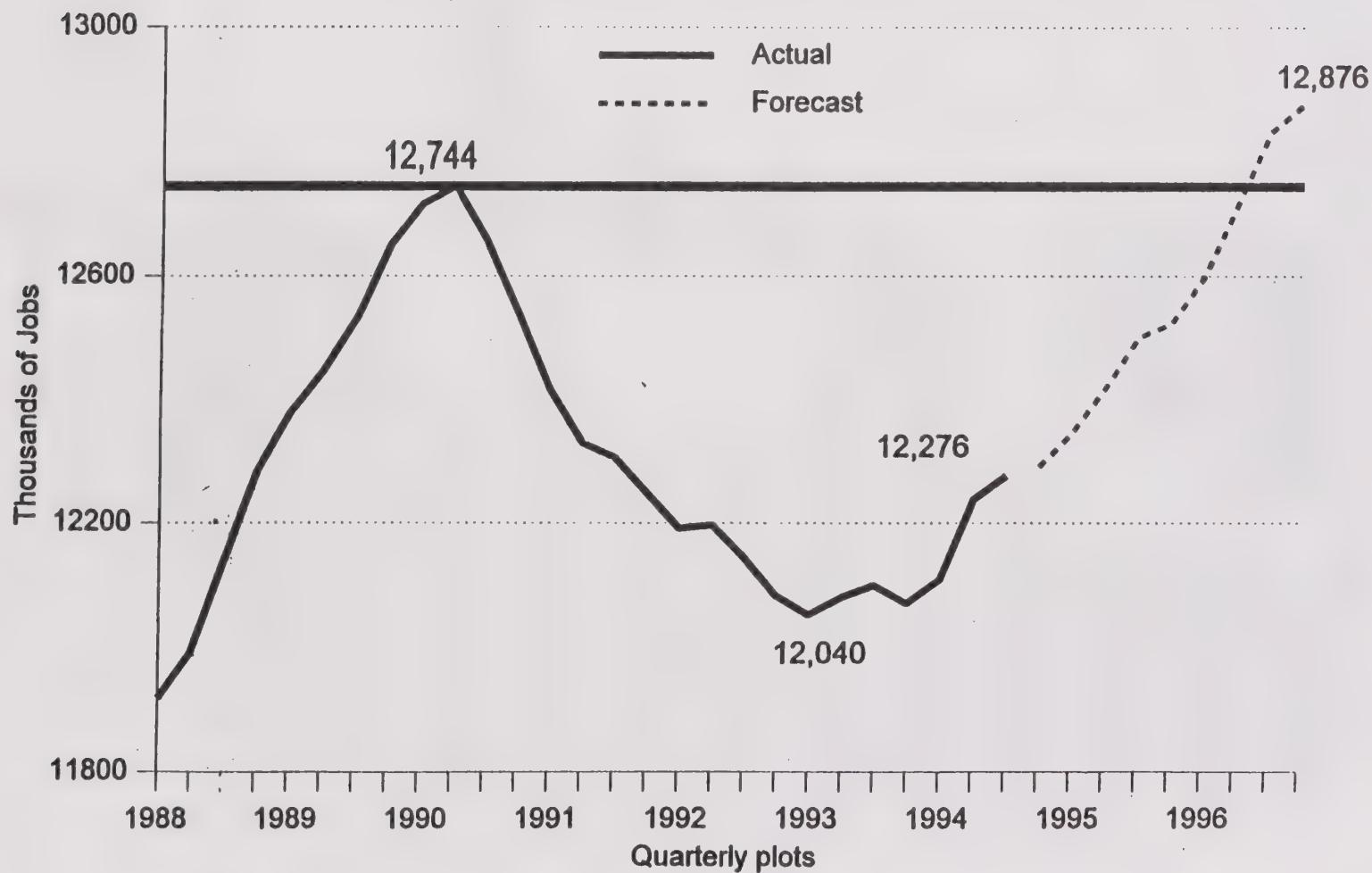
# California Employment Change

Nonfarm Jobs - Annual Averages

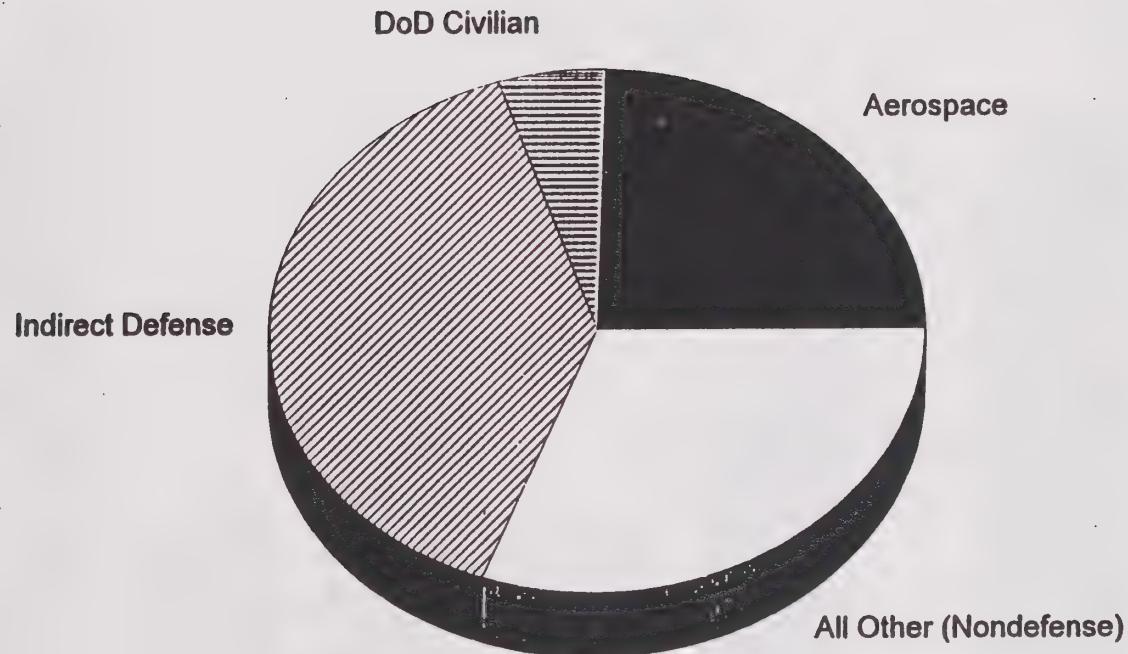


# California NonFarm Employment

Dept. of Finance "Interim" Series



## Source of Job Loss



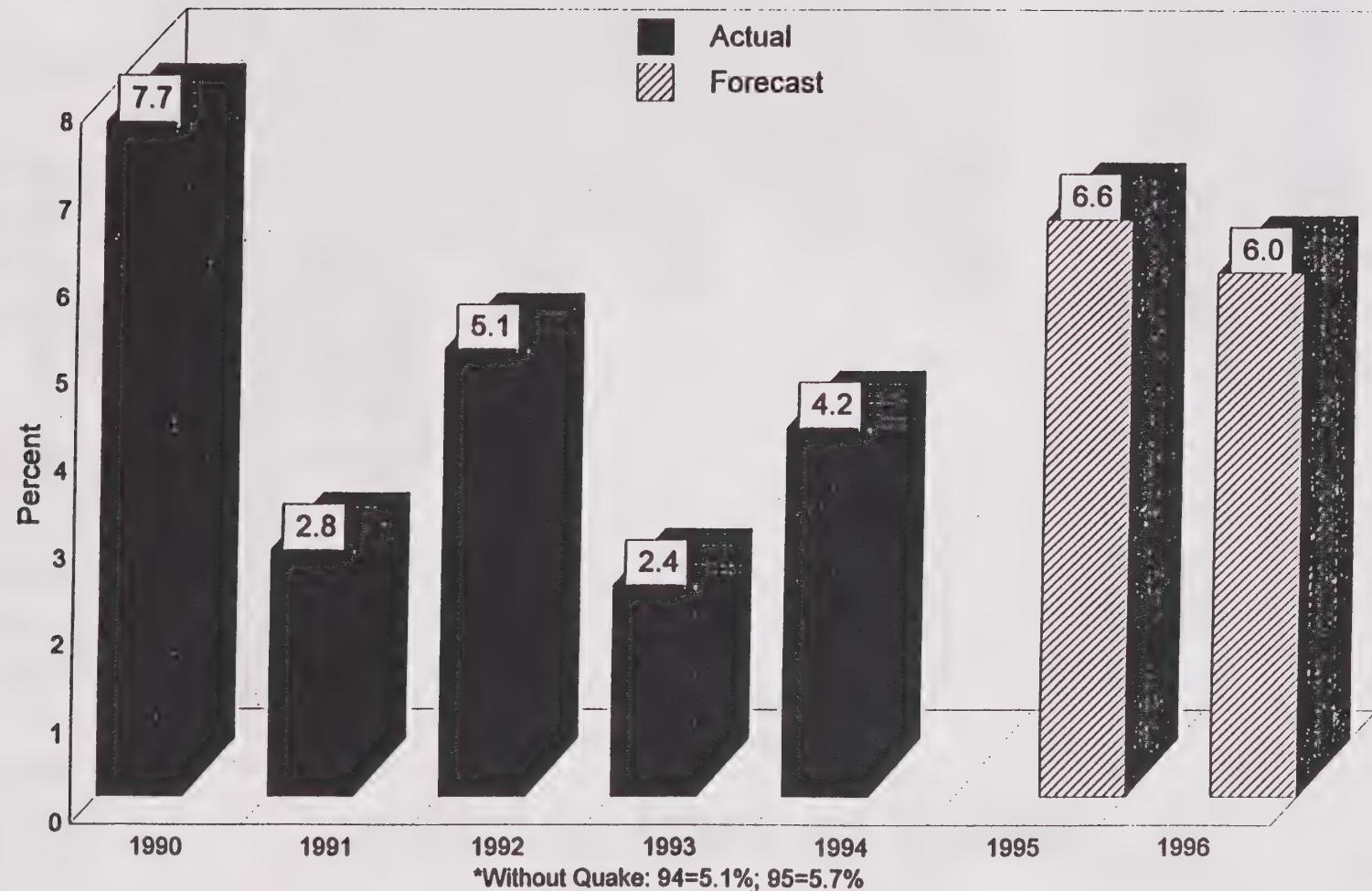
# High-Tech Manufacturing

## California Employment

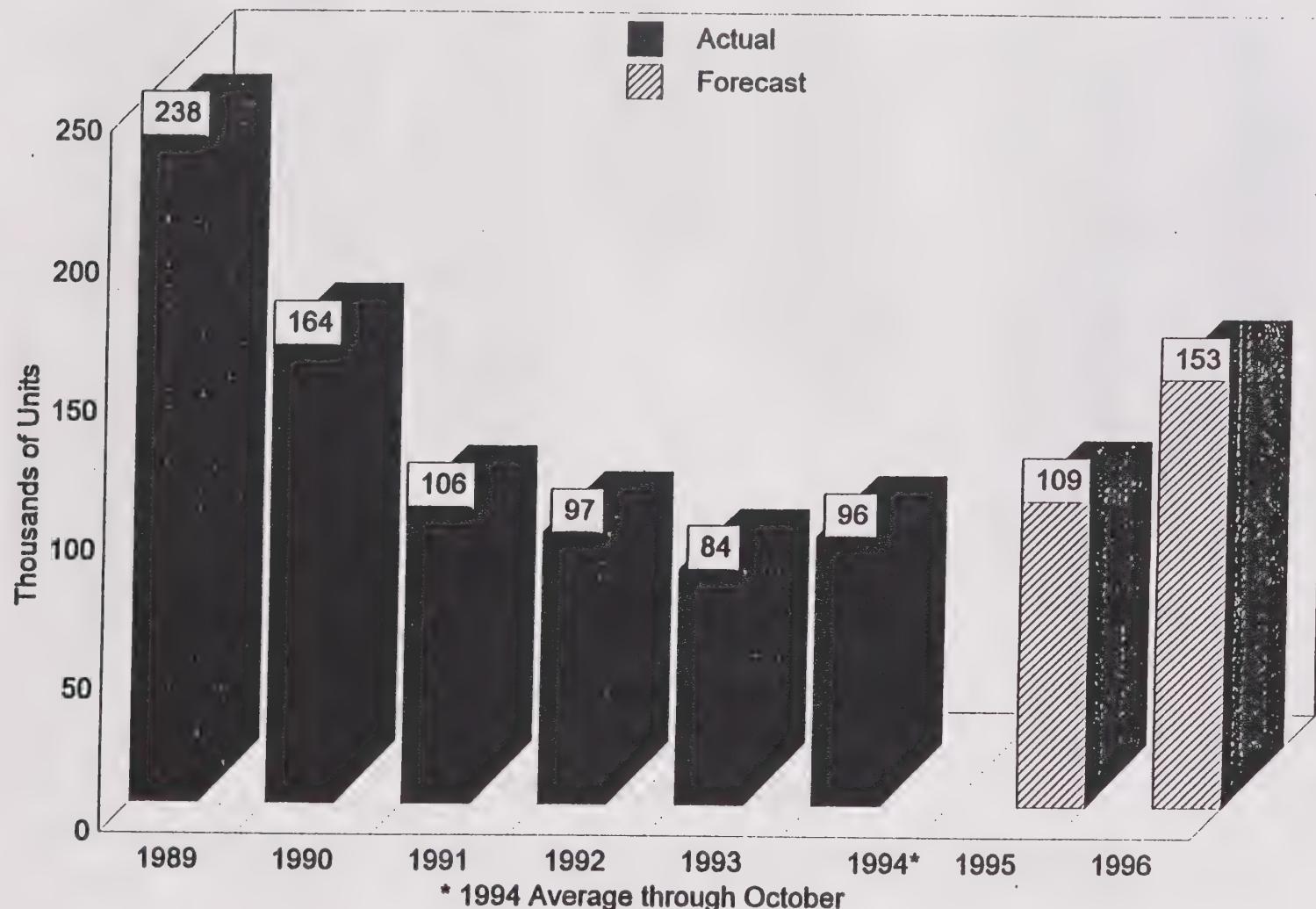


# California Personal Income Growth

Year-to-year Percent Change



## California Housing Permits



# RESIDENTIAL DEVELOPMENT COSTS

## Sacramento, CA and Orlando, FL, 1990

	Sacramento	Orlando	Amount	Difference Percent
<b>Typical permit fee</b>	<b>\$9,998</b>	<b>\$3,772</b>	<b>\$6,226</b>	<b>62.3%</b>
<b>Permit processing time (working days)</b>				
Rezoning	177	105	72	40.7%
Subdivision	145	85	60	41.4%
Building Permit	21	5	16	76.2%
<b>Total</b>	<b>343</b>	<b>195</b>	<b>148</b>	<b>43.1%</b>
<b>Raw Land Prices (per acre)</b>				
Zoned residential	\$39,176	\$30,400	\$8,776	22.4%
Subdivision approved	\$124,167	\$36,700	\$87,467	70.4%
Market price	\$351,000	\$123,400	\$227,600	64.8%
Ratio: Market to zoned	9.0	4.0		
<b>Finished lots</b>				
Lots per acre	6.5	5.1	1.4	
Price per lot	\$54,000	\$30,850	\$23,150	42.9%
Price of house	\$187,000	\$110,250	\$76,750	41.0%

Source: Lowry and Ferguson, Urban Land Institute

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